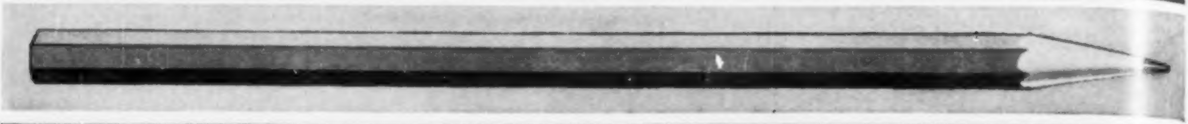
JAN 21, 1931

THE BUSINESS WEEK

The first two weeks of the year have made a good showing. Steel production has come back from the holiday low point at about the usual speed, with a fairly large backlog of forward business. Building contracts continue well sustained for the season. Car loadings of merchandise are following their normal trend . . . . Currency in circulation is no longer being disturbed by abnormal factors; check payments at the beginning of the year were larger than usual; and the volume of commercial loans is holding above seasonal expectations . . . . Our index has risen fairly strongly from its bottom at around 77% of normal to nearly 80% . . . . All these things, together with steady commodity and stock markets, a stronger bond market, and some resumption of employment, indicate that deferred replacement demand by consumers as well as better domestic investment or reinvestment demand are making for some business improvement . . . . The darkest clouds in the sky are the spread of labor troubles abroad, the complete absence of foreign financing, the continued absorption of gold by this country and France, the deepening divisions in domestic politics, and the open endorsement by dominant financial authorities of the idea that what this country needs is not merely a good five-cent cigar, but also a five-cent standard of living.

15 CENTS McGRAW-HILL PUBLISHING CO., INC

PENCIL TO PAPER —



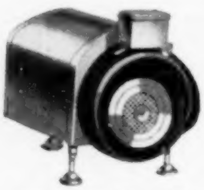
PRESS TO STEEL —

AND MANUFACTURING COSTS TAKE A WELCOME CUT ▲ ▲ ▲

THE pencil of the Pressed Steel Redesign Engineer produces startling results when the redesign of your products is under consideration. Lower initial cost of parts, ranging from 9% to 25% ... less machining ... reduction of finishing costs . . . no breakage losses . . . no misfit parts . . . lower handling costs . . . lower freight rates . . . these are but a few of the factors he has in mind in your product's reconstruction.

Cast Iron Fan Housing. Weight 24.5 pounds.

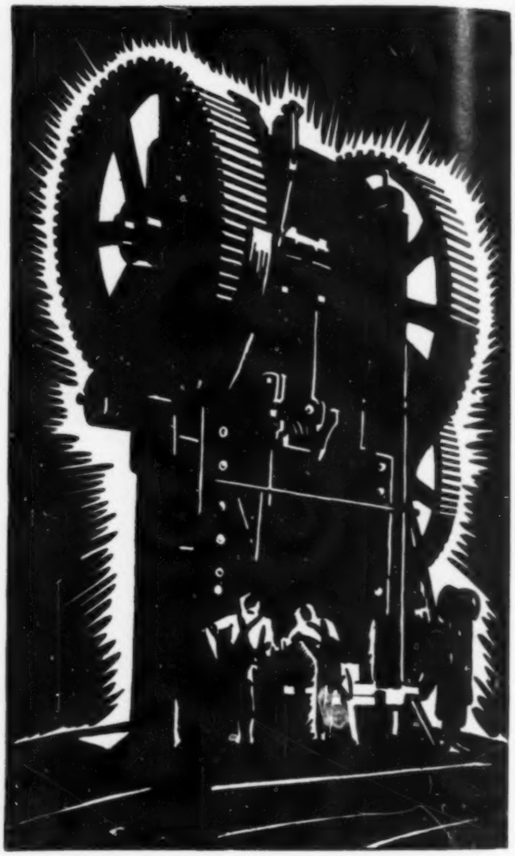
The manufacturer of the oil burner illustrated has a clear conception of the saving pressed steel can effect—i.e. the weight of the 24.5 pound fan housing was reduced to 8.5 pounds . . . a 65% weight reduction that was actually translated into 30% production savings.

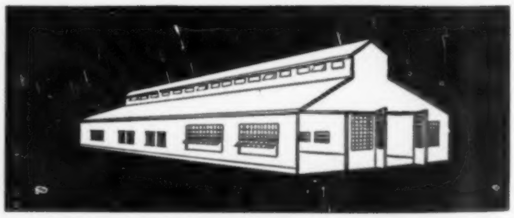


Pressed Steel brought increased strength, breakage insurance, no machining, better finish and less friction in the air chamber of the finished product.

It will be well worth your while to have a Pressed Steel Redesign Engineer look over your products—if not in whole, even some part, when pressed from steel will effectively reduce your manufacturing costs and improve your product's efficiency and appearance. We will be glad to put you in touch with such men. Their advisory service puts you under no obligation. Trade Research Division, National Association of Flat Rolled Steel Manufacturers, 511 Terminal Tower, Cleveland, Ohio.

Pressed Steel fan housing. Weight 8.5 pounds





Steel buildings save money, construction costs and time. Incombustible, salvable and adaptable to all needs.

Save

Money Weight Labor

with Pressed Steel

THE BUSINESS WEEK (with which is combined The Magazine of Business) Jan 21, 1931. No. 72. Published weekly by McGraw-Hill Publishing Company, Inc., Tenth Avenue at Thirty-Sixth Street, New York, N. Y. James H. McGraw, Chairman of the Board; Malcolm Muir, President; James H. McGraw, Jr., Vice-President & Treasurer; C. H. Thompson, Secretary. $5.00 per year, 15c per copy. Entered as second-class matter February 15, 1930, at the Post Office at New York, N. Y., under the act of March 3, 1879. Printed in U. S. A. Copyright 1930 by McGraw-Hill Publishing Company, Inc

What's In This Issue —And Why

Naval Maneuvers

BEHIND Europe's challenge to the battle for ocean cargoes is massed tonnage, unified command. Behind the I.M.M.–Roosevelt merger, we begin to reply in the same terms. *(page 5)*

Mortgages

MONEY shortage is holding up building—and business. So says the National Association of Real Estate Boards in a report covering 349 cities. *(page 11)*

Back to Work

THE second 100,000 take up their tools, mostly in the automobile shops. *(page 16)*

Mark-Ups and Downs

YEAR-END corporation statements promise surprises: "hidden" assets brought out to bolster weak earnings reports; inflated values marked down to deflation levels. *(page 12)*

Automobiles

THE N.A.C.C. offers 4 good reasons for introducing new models in the fall. *(page 18)*

Food–for Thought

GENERAL Foods, broadcasting Vitamin D on a new wave length, opens up great possibilities in food irradiation and preservation. *(page 9)*

Cheaper Rayon

PRICE cuts, discounts, guarantees will stimulate business but not profits. *(page 8)*

Gulf Ports

SOUTHERN tidewater cities win a technical knockout in the fight for competitive freight rates and bigger export-import traffic. *(page 13)*

Strong Chains

1931 finds chains stronger than ever. 1930 snapped off their weakest links, sold them advertising, replaced loose expansion with concentrated selling. *(page 7)*

Money Metals

WORLD trade suffers from the collapse of silver. A $1,000-million loan to China is one of many desperate remedies prescribed. *(page 28)*

GOLD can't collapse. As declining prices carry costs down, its miners make a profit strike. Output rises 3%. *(page 28)*

Better Business

WE investigate the "rising protest against the Better Business Bureaus"—and find out why it always subsides. *(page 18)*

Labor Injunction

UNIQUE in labor history is an injunction that ejects non-union workers from steel erection jobs on New York's skyscrapers. *(page 6)*

Talking Shop

WESTERN ELECTRIC finds out what employees talk about in survey of the human factor. *(page 16)*

Oil Whip

SHELL and Standard of California buy out Carbon Petroleum Dubbs, whose cracking process fits California crudes. *(page 24)*

African Magic

MR. Firestone brought Liberia the 8-hour day. An international commission discovers that tribal chieftains have perverted it into "something scarcely distinguishable from slavery." *(page 27)*

Lumped Sugar

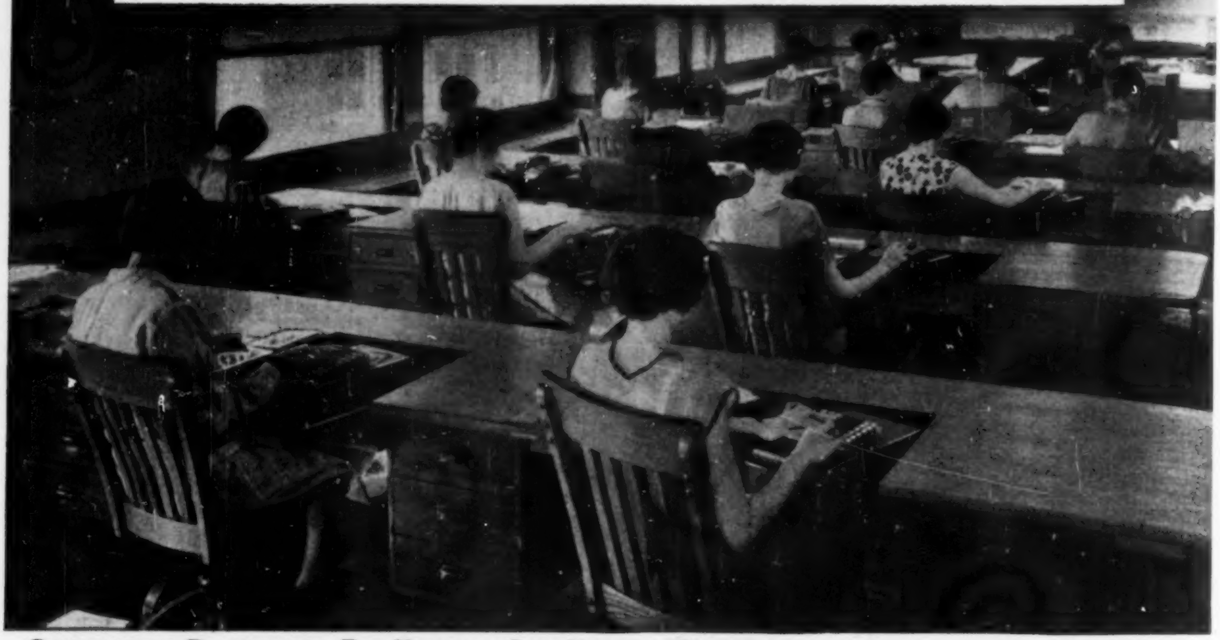
WITH Germany signed up at the eleventh hour, Mr. Chadbourne's world sugar control is all set—if he can keep Java sweet through the twelfth. *(page 14)*

Russian Orders

AMTORG's total purchases here—$149,223,000—shift from state to state. *(page 37)*

THE HIGH SPEED MACHINE FOR ALL FIGURE WORK

Nothing is more important to business *than the figures of business*



Comptometer Department, The National Cash Register Company, Dayton, Ohio, *in which the company has centralized the routine calculating work of the Payroll, Time-keeping and Cost Divisions*

To those in executive control of business, the "figures of business" have a broader and deeper significance than ever before—a significance that reaches far beyond the simple routine figure records that formerly sufficed.

Progressive executives—alive to the changing order of things in business—are calling for information showing in comparative form *today*, what happened yesterday. They are looking to and depending upon figures—figure facts that point the way to safe decisions in business.

Managers need figures that show:

1. Sales and profits by territories or salesmen
2. Sales classified to provide information needed by buyers
3. Recap of sales to cities, states or special brands, for guidance in formulating future sales policy
4. Comparative movement of high profit specialties to low profit staples
5. The status of inventory, day to day or week by week.

The problem is to get these and other needed data, at minimum cost—on time, even in peak load periods.

Comptometer speed—safeguarded by the Controlled-Key and backed by a world-wide service that provides a dependable supply of trained operators and clerks—solves that problem for every Comptometer user. It is a combination of speed, accuracy and service by which thousands have profited—are profiting every day.

A practical test on your work will tell the story. A Comptometer man is always at your service for such a test, or for consultation or advice about any figure work problem, wholly without obligation.

FELT & TARRANT MFG. CO.
1733 N. Paulina St. Chicago, Ill.

CONTROLLED-KEY

Comptometer

REG. TRADE MARK

ADDING AND CALCULATING MACHINE

If not made by Felt & Tarrant it's not a Comptometer
Only the Comptometer has the Controlled-Key safeguard

THE BUSINESS WEEK

The Journal of Business News and Interpretation

News of the week ending January 17, 1931

Ship Mergers Seek Advantages Held by Europe's Huge Combines

I. M. M.-Roosevelt Project Is Seen as Move to Meet The Challenge of Massed Tonnage, Unified Control

THINGS are stirring in United States shipping circles. Most significant of recent developments, and foundation for a host of rumors, is the move by the 10-year-old Roosevelt Steamship Co., to acquire control of the International Mercantile Marine Co. (I. M. M.), the culmination of a postwar maneuver by J. P. Morgan interests to assemble under single control certain ships flying the British and United States flags. The company's annual reports indicate the plan was never a success, gave rise to covert allusions in shipping circles to "the Morgan blunder."

A merger of Roosevelt interests with I. M. M. is readily understandable. The Roosevelt company was formed in 1920 by a group of operators headed by Kermit Roosevelt, to operate the American-Indian lines for the U. S. Shipping Board. In 1926 the Shipping Board allotted to the company the operation of the American-Australian and Pioneer lines, which connect Atlantic coast ports with the Far East. The company operates 24 motor ships, 250,000 tons.

Awarded Mail Contract

Within the year the company won the government mail contract (without which financial security no fast shipping service has been able to operate) for a new service connecting Baltimore with Channel ports, and with Hamburg as the Continental base. The first of the 5 ships which will operate on this line is due to enter the service in June. They will be combined passenger and fast freight carriers.

The I. M. M. is made up of 5 lines, only 2 of which are under American registry. The Atlantic Transport, Ltd. (British) operates 2 popular 21,000-ton ships—the *Minnewaska* and the *Minnetonka*—between New York, Channel ports and London. The Atlantic Transport Co., with West Virginia registry, has the *Minnekahda*—first of all the "tourist third" ships in the transatlantic service.

Red Star, one of the largest members of the I. M. M., owns (under British registry) 5 ships totaling 88,216 tons, of which the *Belgenland* is best known. Red Star is one of the few passenger lines with Antwerp as Continental base.

Third British-flag line in the I. M. M. is the Leyland line, with 27 cargo boats.

Most Profitable Line

Most profitable member of the combine is the Panama Pacific line, an American flag service composed of 3 modern, and popular, American-built ships—*California, Virginia, Pennsylvania*—operating a fortnightly 16-day schedule between New York and San Francisco by way of the Panama Canal with intermediate stops. All 5 lines give I. M. M. a total of more than 427,000 tons. Of this, nearly 80,000 tons are under United States registry.

Popularly thought to be a part of I. M. M. is the White Star line, with its trio of fast boats—*Majestic, Olympic, Homeric*—and with its smaller but ever popular Liverpool vessels, including the *Baltic* and *Adriatic*. Actually, White Star was sold by I. M. M. to the British Royal Mail line, and, though only one large initial payment has been made, shipping officials believe that Royal Mail financial reorganization under Walter Runciman, new head, will provide for completion of this deal. In the meantime, I. M. M. remains American representative for the company.

Sanction of the Roosevelt-I. M. M. merger by the Shipping Board was questioned. Hasty judgment claimed the Roosevelt line would not be able to merge foreign-flag lines and maintain government mail contracts on its Baltimore line.

According to a member of the President's shipping investigation committee, there should be no difficulty on this score. The Merchant Marine Act of 1920 demands that mail contracts be given only to citizens of the United States, that for transoceanic contracts majority control of a line must be held by the United States citizens. The Davis Bill, which would have forbidden companies with any foreign-registered ships from holding a mail contract, was never passed.

For this reason, informed shipping officials see no reason why the merger should not go through. It is generally admitted, however, that I. M. M. would willingly dispose of its foreign flag ships, since they have never, as a whole, been profitable. Also, it is known that the Lloyd Royal Belge is interested in Red Star, and Furness, Withy in Atlantic Transport, Ltd.

Connection of the U. S. lines with the deal, though largely a rumor, is entirely credible. When Paul W. Chapman bought from the Shipping Board the 5 principal transatlantic passenger ships—*Leviathan, George Washington, President Harding, President Roosevelt, Republic*—with a total tonnage of 139,393, it was generally believed he was setting out to gain a monopoly of American transatlantic service. Included in the service were the 6 freighters in the London service, bringing total tonnage up to 197,872.

Chapman Thwarted

Despite plans for two 30,000-ton luxury speed liners to make up a trio, with the *Leviathan*, for a weekly transatlantic service, the rumor persists that the U. S. lines eventually will be merged into the group of which Roosevelt has become the nucleus. Authorities declare Chapman plans have been thwarted consistently. When his bids for the American Diamond and America-France lines were highest, all bids were cancelled and a special investigation started by Washington. The result was a recommendation that the lines remain in the hands of present owners, though final action has not been announced.

More recently, Chapman has withdrawn bids for the Hoboken piers, where he had hoped to build vast modern terminal facilities. Conserva-

tives say this move is due to curbing of plans under present depression conditions, but popular sentiment in shipping districts sees it as another sign that original plans for development have been altered.

Behind it all is the general knowledge that the business of shipping is facing vastly different problems this year from those of 2 years ago. Nearly a year ago, Germany's two largest shipping companies—North German Lloyd and Hamburg-American—pooled their interests, brought under one control three-fourths of all German tonnage, more than 3 million tons. Included are the *Bremen* and *Europa*, world speed queens, and the Hapag's famous *Albert Ballin*, 8-day express freighters.

The British Line-up

Britain, home of the world's largest shipping companies, has retaliated, so far, only with rationalized transatlantic schedules. Cunard, with 24 ships and a total of 470,000 tons, and the Royal Mail with 30 ships of a total of 241,000 tons, have always worked in close cooperation. Each has a trio of express passenger liners to maintain weekly transatlantic sailings. Each of Britain's 2 largest maritime companies compares favorably in size with the entire fleet of many nations. Peninsular & Oriental (P & O) controls 582,000 tons; Furness, Withy & Co., 652,000 tons. These 4 companies combined would give Britain a vastly strengthened position in world competition.

France is fortifying her position in the transatlantic service through the French Line. The long-popular *Paris* is now second to the elegant *Ile de France*, and the *Lafayette* is popular as a cabin liner. Total French line tonnage is 656,559 with a huge super-liner under construction to compete with Cunard's new 75,000-ton speed queen.

Though they run into less competition in the South Atlantic, Italian lines are not falling behind in the race. Navigazione Generale Italiana is building the *Rex*, a 50,000-ton liner in the *Bremen's* 26½-knot class. Lloyd Sabaudo is building a 47,000-ton liner in the same speed class. Combined tonnage of Italy's 3 big Atlantic lines totals nearly 500,000.

In the face of these giant shipping combines in Europe, all of which receive important government subsidies in one form or another, it is not surprising that aggressive American interests are contemplating the merging of their holdings. If services can be centralized, schedules can be more effectively rationalized, overhead more inexpensively carried, subsidies more economically awarded and administered, and the country put on a sounder basis to compete with Europe.

Injunction Forces Use Of Union Labor

UNIQUE in labor annals is the temporary injunction issued Tuesday by Supreme Court Justice Black of New York which forbids the 18 structural steel contractor members of the Structural Steel Board of Trade to employ on their jobs any but members of the International Association of Bridge, Structural and Ornamental Iron Workers, or to attempt to persuade any of their employees to drop membership.

This injunction was granted pending the outcome of a suit in which the union is suing the steel board for $3½ million damages claimed to be suffered through the alleged violation of a contract made between the board and the union on May 12, 1930.

For 25 years, the steel workers' union has tried, with little success, to get a strong foothold in the important New York building operations. When former-Governor Smith, in discussing plans for the Empire State building, suggested that union labor should be used throughout, union leaders seized upon the advantage offered. When steel erection contracts were being let by Starrett Bros. & Eken (general contractors), Post & McCord (open shop operators) were chosen. Shortly after building operations started, other union workers there and in other Starrett projects throughout the country struck in protest.

Satisfaction Promised

These strikes were settled with the implied promise that the Empire State situation would be adjusted to the union's satisfaction. Later, an agreement was drawn up, with the aid of Charles L. Eidlitz, head of the steel board, which was accepted by the union as going into effect on May 12. The steel board contended, however, that the agreement had never been signed by board officials; that it was ineffective; continued the use of non-union labor on the Empire State building.

On Nov. 21 the union entered suit against the board; on Dec. 11 it was argued; pending a decision, Justice Black's injunction makes the contract binding upon the employers. Until a decision is made, and unless the injunction is vacated, virtually all non-union steel erection work within the city limits of New York will cease until the present force can secure union cards or until union erectors can be secured from other localities.

WHAT THE RAILROADS HAVE TO FACE—
On the flowered carpet before this formidable assemblage will be played the great railroad consolidation drama. Although introduced in a special presidential prologue, this audience of eleven will write the reviews

The Chains Have Started 1931 Stronger Than a Year Ago

Profits Have Been Cut But So Have Weak Units; Expansion Has Slowed Down, Selling Speeded Up

PRELIMINARY figures from most of the national chain store organizations indicate that they have come through 1930 with sales approaching 1929 totals, with profits comparatively low, but with their positions at the year's end much better fortified than at its beginning. Weak units have been eliminated, the remaining ones strengthened, while expansion has been curtailed in favor of a definite attempt to consolidate already existing stores into systems operating more efficiently and economically.

Although many chains entered 1930 with further expansion inevitable, due to existing commitments on leases or new buildings, the 1,540 new units opened during the year totaled 50% less than in 1929.

A. & P. Broadens Scope

The Great Atlantic & Pacific Tea Co. was particularly active in making existing units better producers. Many stores were moved to better locations in the same neighborhood, others were enlarged, either by extensions or additions of adjoining stores. A definite plan seems under way to extend general operations to include meats, vegetables, bakery products. Already over 4,000 of the company's 16,000 grocery stores have been converted into general food markets. Sales for 1930 of this, the world's largest chain, were $1,062,296,331; actually $34 millions, or 3.34%, higher than 1929. Tonnage of goods sold, 9.82% greater than in 1929, reflects the general price reductions.

Kroger Grocery & Baking Co. has done some drastic weeding-out, 410 stores, 7.3% of its original 5,575, being closed during 1930, while the total volume dropped but 6.8%. This company is, next to A. & P., the largest meat selling chain, the majority of its stores being combination grocery and meat markets, so more than passing significance is attached to the fact that, promptly after the famous packers' consent decree was modified (*The Business Week* Jan. 14), Kroger announced an appropriation of $2 millions for enlarging and improving existing stores.

F. W. Woolworth & Co., with new stores in many places, shows a drop in dollar volume of 4.5% for the year; has, however, adjusted its operating cost to offset the loss in gross, and is entering 1931 with a well-defined program of further expansion.

J. C. Penney Co., to produce a more rapid turnover, has changed operating procedure so that stores now carry a smaller working stock. With 62 more stores in operation, inventory has been cut approximately $11 millions and a substantial cash reserve has been accumulated, although sales for the year were 7.99% less than in 1929.

W. T. Grant & Co. finished 1930 with a total gain of 8.5% in volume, mostly accounted for by the addition of 73 new units, an increase of 24% in outlets, indicating that sales per store have fallen materially below the levels of the previous year.

G. C. Murphy, with but 13 new stores, an increase of about 7%, shows 11.2% more sales, is one of the few chains that has actually increased its dollar sales per store despite substantial price reductions on most of the commodities handled.

Melville Shoe Corp. opened 23 new stores to total 483 during 1930. With prices 10% to 20% lower, it has increased its dollar sales by 12.2%.

Foods Least Hit

Tabulation of the 1930 sales of 53 leading chains shows a total of $4 billions, actually only 1.53% below 1929. Food chains seem to have suffered least from general conditions, the majority of them reporting increased or but slightly lowered sales. There are now over 800 such chains in operation and they account for over 35% of the country's food sales. Census figures disclosed that in Chicago 48.8% of all food was bought at chain stores.

While 1930 earnings of practically all types of chain systems will be substantially below the 1929 level, the fact that the industry as a whole passed through the serious period of depression with practically no important failures is added evidence that the chain method of selling has justified itself and must be accepted as a definite and necessary part of our distributing system. In the real estate business, chain store renting is a separate and highly specialized branch of the business. Certain manufacturers of food products, novelties, paints, stationery, household necessities, jewelry, specialize in merchandise for chain store trade, many handling such business exclusively. Chain store management is being constantly improved. Schools for branch managers are conducted, one such school now having 4,000 former students in charge of chain branches.

More Advertising

Significant is the fact that conditions of 1930 caused many chain organizations to use advertising systematically, setting aside definite percentages of net sales for this purpose. Clothing chains spent about 3%; drug chains, 1.5% to 3.5%; grocery chains, ½% to 1.5%; shoe chains, 5%. After the decline in prices was well under way the Great A. & P. Tea Co. made highly effective newspaper copy out of a comparison of

Underwood & Underwood

—THE INTERSTATE COMMERCE COMMISSION

Left to right, Commissioners Tate, Farrell, MacManamy, Eastman, Meyer, Brainerd (chairman), Aitchison, Lewis, Porter, Lee, and Mahaffie

current prices with those for the same commodities "a year ago."

Chains are expanding rapidly in Canada, the Dominion Bureau of Statistics announcing that 20% of the total $2 billions of Canadian retail sales are made in units of the 350 chain systems now operating in the dominion, of which 210 report 11,896 stores, with annual sales averaging $26 per capita. In Ontario 53.8% of retail volume went through chains; in Quebec, 22%.

Rayon's Cut in Price May Cut Out the Profit

THE long-rumored cut in rayon yarn prices has now taken place, together with a longer price guarantee and a new bonus plan. The move was initiated by the Viscose Co., followed by du Pont, Tubize Chatillon, American Glanzstoff and others.

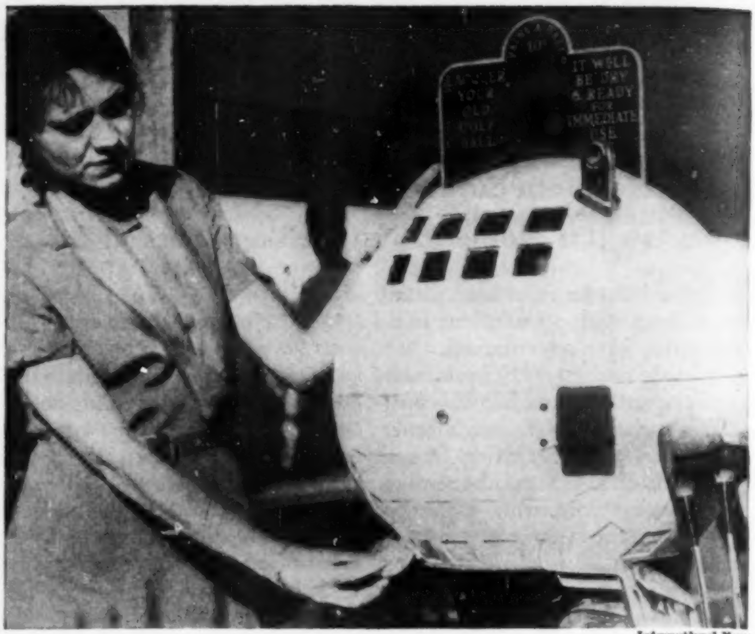
The price reductions announced by Viscose range from 15¢ to 35¢ a pound. Dull luster yarns, which had previously sold for 3¢ more than the bright yarns, are now the same. The new quotations carry a 90-day guarantee against price decline, as compared to the 60-day guarantee of last November. As an inducement to large buyers, a rebate of ½ of 1% is granted on each 100,000 pounds bought, up to a maximum of 600,000 at 3%. This arrangement supersedes the bonus plan introduced last fall by some manufacturers which allowed a 5% rebate to all consumers regardless of the size of their orders.

Obviously to the consumer's advantage, of undoubted aid to buying, there is some doubt whether the rayon industry as a whole will be able to show a profit at the new price level. Consequently, it is asked in some quarters whether the price cut was really to increase business, or another move in the price war.

Mine Operator Sets Retail Coal Price

THE M. A. Hanna Co., one of the largest coal mine operating organizations in the bituminous field, established an innovation in the industry this week by setting the price at which its new, trade-marked product, "Mechano Coal," is to sell at retail.

"Mechano Coal," which is Ohio bituminous washed by means of the English Simon-Carves process, will be marketed by 65 authorized agents in eastern Michigan and northern Ohio. At $6.50 a ton, it competes favorably with that of the unwashed product.



International News

REPAINT ROBOT

Drop a golf ball (and a dime) in the top and it will come out lacquered and dried, ready for the tee. The first one stands at the entrance of the Santa Monica, Calif., municipal course

Tire Price Reductions Again Hit Independents

THE newest tire price cuts make more obvious the result of the already unequal three-cornered fight between the mail-order houses, the oil companies, and the independent retailers. The little fellows, as usual, are getting very much the worst of it, and the big fellows are turning their attention to each other.

First move is by the Atlas Supply Corp. Atlas tires, made for the Standard Oil Companies by Goodrich and U. S. Rubber, are retailed through oil company stations in New York, New Jersey, Pennsylvania, New England (by Colonial-Beacon), Kentucky, Texas, Ohio, Indiana, and California. Tires carry a year's guarantee, special service features, sell below manufacturer's price.

In Ohio, where 700 stations have been added in a month, Atlas has chopped prices 7½% to 10%, reductions likely to extend to other territory.

Sears, Roebuck & Co. and Montgomery Ward & Co. declined to pass, chipped in with 11% to 19% cuts. Tire producers, both independent (Firestone) and makers for the mail-order and oil-station trade (Goodrich, Goodyear, U. S. Rubber) sliced off 6½% to 12% on Jan. 5.

Further cuts are not expected before April. Retailers' orders, listed in November, receive the benefit of reductions up to early the next year.

Reductions passed on to automobile makers under bulk contracts probably have been discounted already in the lowered new-model prices.

Watches for Gum Chewers Latest Wrigley "Deal"

INVETERATE advertiser and user of spectacular sales methods, Wm. Wrigley, Jr., chewing gum magnate, bought a carload of watches to give away to dealers of his chewing gum.

Ordinarily New Haven Clock Co.'s "Tip Top" watch retails for $2.00. To stimulate sales, Wrigley offers this watch free with 5 boxes (100 packages, 500 sticks) of gum, costing the dealer $3.90. Dealers can obtain the premium only through wholesalers and jobbers.

The "deal" has been tried out in the East, proved highly popular. Now the Central states are being invaded. The carload of 100,000 watches, largest single shipment of watches on record, is on its way to Chicago.

Premiums used by Wrigley in previous campaigns include Gillette safety razors, fountain pens, pencils.

"Selective Irradiation" Opens New Fields to Food Industry

General Foods Corp. Adopts Process That Halts Spoilage Without Refrigeration, Adds Vitamin D

ANXIOUS to maintain its position of leadership in the food industry, General Foods Corp., through its president C. M. Chester, Jr., announces an alliance with the University of Cincinnati for the commercial development and exploitation of a new process to be known as "selective irradiation," discovered at the Basic Science Research Laboratory of the university.

While experiments so far conducted have demonstrated that there exists a wide field of possible commercial as well as scientific use, no estimate of its eventual importance seems possible.

Broke Down the Rays

Starting evidently where other research scientists had stopped, Professor George Sperti, director of the University's research in this field, succeeded in breaking down the ultra-violet rays, determined their specific characteristics, and designed methods for their control on which a basic patent was granted July 10, 1928.

He discovered that there is a critical wave length at which biological and other reactions begin, which then effect changes in taste, smell, consistency, etc., but that wave lengths considerably shorter result in the destruction of bacteria; that formation of the very important Vitamin D starts at a wave length of about 3100 Angstrom Units.

Striking applications of this discovery have followed. For example, milk can be irradiated under the new process without affecting its smell, taste or color, while its Vitamin D content is increased. Orange juice can be treated after extraction so that it retains its original flavor for practically indefinite periods. Fermentation, yeast molds, various forms of food spoilage are checked.

Signally important is the fact that refrigeration is not required as an auxiliary aid to these results. The processed orange juice, for instance, can be carried from extractor to consumer without refrigeration and without change.

Wide fields of use for the new process are indicated by claims that it stimulated plant growth to over 4 times normal and implants its stimulative qualities in poultry and stock foods subjected to it. The evident practicability of impregnating all food with controlled amounts of Vitamin D suggests opportunities in the pharmaceutical and medical fields.

Outstanding advantages claimed for selective irradiation are (1) its adaptability to definite uses under complete control; (2) the fact that it does not require extreme high voltages of electricity and is, therefore, inexpensive.

To develop new uses and insure permanency of research and practical commercial application, the University of Cincinnati and General Foods Corp. have created the General Development Laboratories, Inc., headed by Ralph G. Coburn, now executive vice-president of General Foods. A special laboratory will be erected at Cincinnati. Research will be directed by Professor Sperti, watched over by Dr. Herman Schneider, president of the university.

The Business Week

LINE PRODUCTION IN TELEGRAMS

The Canadian National Telegraph's new 24-channel circuit is now in operation between Montreal and Ottawa. On a single pair of wires, it can carry 192 messages at the same time, 9,600 words a minute

Retailers Are Keeping Up Christmas (Buying) Spirit

WHILE many retailers have been struggling with year-end statements, inventory adjustments, mark-downs, and other internal problems, aggressive merchandisers have been concentrating on efforts to keep up the buying momentum that carried Christmas sales into unexpectedly high figures and inventories to unhoped-for low levels.

W. T. Grant Co., operating 346 chain department stores, announces that it has a special fund of $1 million ready for the cash purchase of job lots of merchandise to be used for special value sales campaigns.

Hartford, Conn., department stores have organized January sales much more on a price basis than before and are using exceptionally large advertising space to maintain public interest.

At Boston, Farley Harvey Co., wholesale dry goods merchants, conducting a special sale, found response from retailers unprecedented, broke a 20-year record for sales volume. Similarly, Jordan Marsh & Co., cooperating with the Pepperell Manufacturing Co., launched a carefully planned campaign on Pepperell products, sold 10,000 sheets the first day.

A group of western stores has come into the New York market with trebled appropriation to buy a variety of merchandise suitable for special offering.

At wholesale centers such as Chicago, Dallas, Atlanta, retailers show particular interest in goods for immediate shipment, and suitable for promotional selling.

In areas where mail-order competi tion is still keen, many retailers are using mid-winter catalogue prices as basis of comparison with their own bargain offerings.

The Business Week

COLONEL ROBERT RANDOLPH

The engineer-president of the Chicago Association of Commerce was re-elected, unopposed. Gangster convictions and waterways improvements are reckoned among his favored activities

Nye Bill to Halt Price Cutting Would Do More Harm Than Good

Bargains Know No Boundaries; Difficulty Of Enforcement Makes Passage Doubtful

THE Nye Bill proposes to place under jurisdiction of the Federal Trade Commission complaints involving: (1) the advertising and selling of goods below standards prescribed by the Pure Food and Drug Act; (2) selling or advertising goods at below cost prices without profit "as a trade incentive or inducement tending to injure a competitor"; (3) violations of agreements arising out of trade practice conferences; (4) using material of domestic or foreign origin to the injury of all-American products; (5) capitalizing control of transportation facilities to injure competitors.

The powers of the Federal Trade Commission would extend to enable it to sit as court of equity, pronounce convictions, award damages.

Ignorance as to cost or retail prices, giving or accepting of "free" goods or other commodities, practices declared unfair by trade conference agreements, all would be arbitrarily held to constitute "restraint of commerce" under this bill.

Particularly interesting is Senator Nye's desire to stop below-cost selling as an evident gesture in behalf of small or independent business enterprise.

Practice Widespread

Manufacturers fighting for markets frequently disregard costs entirely, cut under the figures quoted by competitors in order to get the business. Wholesalers often employ similar tactics, hoping thereby to hold some particular account or have the less-than-cost price act as an entering wedge in a new outlet.

In the retail field, particularly with department and specialty stores, so-called "loss leaders" form an integral part of merchandising practice. Goods are advertised at below-cost prices to lure buyers into the store, to sell other goods at a profit.

For instance, R. H. Macy & Co., New York, following their established practice of meeting all competition with a 6% lower price regardless of cost, have even made capital out of their losses, advertising, in one case, that articles costing them $2.00 were sold for 84¢.

Chain stores also cut prices on specific items, and wise consumer-shoppers travel from store to store, buying many items on their lists at less than retailers' cost.

In industries, or in particular territories, where such tactics prevail, small and weak units simply collapse under the strain of selling at a loss.

It is well known that in every branch of trade below-cost-selling has produced many failures, which through resulting losses have imposed unreasonable and unjust burdens on the body of business.

So, from a general business standpoint, the Nye bill will find many supporters. However, consumers are likely to organize strong opposition; loss-leaders mean bargains. They have long since learned to take the bait but not the hook.

The difficulty of submitting incontrovertible evidence that below-cost selling was practised "to injure a competitor," removes the probability that the bill could correct the evils at which it is aimed. Furthermore, the provision extending the jurisdiction of the Federal Trade Commission to include violations of the Pure Food and Drug Act (1906) is not likely to aid its passage.

Similarly, passage will not be furthered by Senator Nye's appeal to patriotic sentiment in his proposal to authorize proceedings against any producer or manufacturer using materials either of domestic or foreign origin to the injury of one using strictly American materials for strictly domestic consumption. Again, bargains know no boundaries, and the hardships to industry are too apparent.

600 New Tools Arm Industry for 1931

STILL further evidence of the unprecedented development work which manufacturers in all lines have been doing during 1930 in preparation for 1931 is found in the fifteenth semi-annual shop equipment review number of *American Machinist,* just published.

In this issue appear over 600 items of shop tools and equipment which have been developed during the last half of 1930. This is not only 115 more than were developed during any previous 6-month period, but is 37% above the average included in the last 5 semi-annual reviews.

More tools have been designed to take full advantage of the metal-removing properties of tungsten carbide; application of hydraulic feeds has been widely extended; better and more suitable materials are being used in equipment; V-belt drives, more effective lubricating systems, anti-friction bearings, and other improvements testify to the product research work which has kept tool design departments busy.

Survey of 349 Cities Uncovers Housing Shortages But No Funds

Credit Jam Must Be Released Before Construction Can Seize Opportunities to Aid Business Revival

CONCRETE evidence that the money shortage is preventing construction from aiding business revival to the extent that it otherwise would is contained in the semi-annual survey of 349 cities in the United States and Canada by the National Association of Real Estate Boards which held its annual convention this week at St. Petersburg, Fla.

Forty per cent of the 349 cities reported a shortage of capital for good real estate mortgage loans. Furthermore, rates on mortgage funds have not fallen to any considerable extent during the past year despite alleged easy money. Seventy-six per cent of the cities report no change in mortgage money rates from a year ago; 14% find rates actually rising; only 10% show falling rates.

Jobs for Builders

While a normal supply of space is generally available and some cities are oversupplied, the real estate boards report from others a shortage of single-family, apartment and business buildings sufficient to cause a large volume of construction if finances were available. Fourteen per cent of the 349 cities showed a shortage of single-family dwellings; 18% are under-supplied with apartments; 3% have not enough business buildings.

These shortages rise to much more substantial proportions in some sections of the country. Thirty per cent of the cities in the Mountain district are short on single-family dwellings. So are 27% of the Pacific Coast, 23% of the South Atlantic, 20% of the West North Central and 18% of the New England cities.

Undersupply of apartments exists in 40% of the Canadian, 27% of the Pacific, 21% of both the South Atlantic and Middle Atlantic and 18% of the New England cities. Business property shortages exist in 21% of the West North Central, 11% of the Mountain and 4% of the New England cities.

These shortages are confined to smaller centers, reports indicating an oversupply of buildings in largest cities.

Shortage of mortgage money is reported in the following percentages of cities in the various sections: New England, 44%; East North Central, 54%; West North Central, 24%; South Atlantic, 54%; East South Central, 45%; West South Central, 32%; Mountain, 35%; Pacific, 23%; Canadian, 33%.

The supply of mortgage money dwindles with the population count—result of the flight of capital from smaller to metropolitan areas which has been in progress for several years and has been recently accentuated by business uncertainty and bank failures. Thus the largest cities show a congestion of capital which—again due to the general unsettlement—is being kept in short-term funds. There—and there alone—is easy money existent to any extent.

But Investors Are Timid

This congestion remains unrelieved because of the timidity of investors and banks and inadequacy of present credit machinery to redistribute it to needed areas. The same "population trend" exists in interest rates.

A redistribution of the funds concentrated in that 26% of the reporting cities that are oversupplied among the 40% that are suffering a shortage, would help construction. But mere waiting for investors to overcome their timidity enough to permit this redistribution and switch into the long-term market large amounts now held in short-term funds is likely to be a long, slow, painful process.

The alternative would be for the Federal Reserve to increase the volume of money and lower short-term rates to a point where their lack of attraction would force redistribution. At the same time this would aid other portions of the long-term market for funds, primarily bonds. The Reserve system's new policy of further ease in money expressed through the recently numerous rediscount rate cuts is progress in that direction. The big question is whether it will go far enough.

Wide World

STOP, LOOK, AND DUCK YOUR HEAD

Curtiss-Wright has posted crossing signs at the Grand Central Air Terminal, Glendale, California, where incoming planes swoop low in landing

Rents Are Resisting The Downward Pull

THE extent of the decline in the activity of the real estate market is shown in the latest semi-annual survey of the National Association of Real Estate Boards. Compared with a year ago, 58% of 349 cities reporting show conditions duller; 28%, unchanged; 14%, more

active. Real estate prices are reported under levels a year ago by 76% of the reporting cities, unchanged by 23% of them. The trend toward lower prices is accentuated by forced sales, a considerable number of which are occurring.

Rents have declined in many sections but show great resistance in others. Thus, for single-family dwellings 56% of the cities report lower rents; 39%, no change; 5%, higher. Approximately the same situation prevails in 2-family houses.

Apartment rents are unchanged from a year ago in 60% of the cities, down in but 33% and up in 7%. Business rents on centrally located properties are unchanged in 50% and lower in 46% of the cities. Outlying properties show a larger percentage of decline. Both business and dwelling rents have dropped more in larger than in smaller cities.

Surprises Are Expected In Year-End Statements

INVESTORS, students of business, and security markets followers are expecting surprises in the year-end corporation balance sheets and earnings statements, soon to begin their appearance. Opinion is divided on whether they will be agreeable or disagreeable surprises. At any rate, they will have an important effect on the way business will feel and the securities markets act a few weeks hence.

A number of facts are virtually certain. Fourth-quarter earnings will be well below those of the third quarter, thus making the last quarter 1930's worst. The large decline in commodity prices during the year necessitated writeoffs which, along with a lower rate of business activity, will make for lower earnings. This price decline, too, will cause widespread downward reappraisal of stocks, affecting balance sheets. Larger percentages of bad debts will have their effect. And income from investments will not have bolstered up earnings as in the past.

Revisions Are Due

But the uncertainty is caused by the probability of some more fundamental changes than these. During the period of prosperity depreciation allowances often have been unusually rapid, resulting in the development of a considerable amount of "hidden" assets. Other accounting methods looking to fortification of companies while earnings were good have had the same result.

Conversely, accounting devices have been utilized to minimize unfavorable developments so that stock prices might not be depressed. Furthermore, valuations of investments that have, heretofore, looked conservative will need to be revised in view of the great decline in security prices.

What policy corporations will follow in the present situation cannot be forecast. Probably there will be no general policy, but various practices may produce statements somewhat different from those expected.

Most general expectancy is that, with stock prices near what is believed to be rock bottom anyway, a considerable amount of dirty linen will be hauled out for a year-end wash as statements are brought up to date. Surprises so produced would be disagreeable ones.

But with earnings low and losses large, the tendency may also be to bring forth hidden assets to bolster otherwise poor showings. Thus some statements may be better than expected.

Bankers Prefer Liquidity; Loan Market Suffers

THE increase in liquidity of banks revealed by their 1930 year-end statements compared with those of a year earlier is clear evidence of present banking trends and has a widespread effect.

The trend toward greater liquidity during 1930 was especially marked in leading New York City banks, with little change being shown by the nearly 800 weekly reporting member banks outside of New York. Thus, on Dec. 31, 1930, the chief New York banks had an amount equal to 49% of their deposits virtually in cash—United States government securities, reserves with the Reserve banks, cash in vault, balances due from other banks, and amounts in call loans. A year ago, the corresponding proportion was 43%. The aggregate outside of New York showed an amount equal to 34% of deposits so placed, as compared with 33% a year ago.

Increased Quick Assets

New York City banks increased their liquidity during the year by increasing considerably all of the forms of assets mentioned. Their deposits rose only 0.3%, their commercial loans fell 15%, and their security loans direct to customers went 5% lower. Outside of New York, all forms of the quick assets mentioned rose except call loans. In

Wide World

NEW OFFICE

This, the largest Colonial structure in the world, is the new home office of the Aetna Insurance Co. in Hartford, Conn.

Wide World

ANOTHER "RETURNED GOODS" PROBLEM

Left to right are Marcel Garsaud, Claude L. Draper and George Otis Smith, members of the Federal Power Commission. The Senate confirmed them, but now wants to change its mind. Mr. Hoover objects

this group, deposits rose 2%, while security loans direct were down 1% and commercial loans down 7%.

This interest in maintaining an unusual degree of liquidity reflects the bank's inclination to fortify itself in face of current economic and financial unsettlements. Relief of this situation will be significant of a return of confidence and an aid to further business recovery. Purchase of securities other than governments will further aid the bond market; in fact, it appears essential to the development of anything like a strong bond market. And willingness to make loans on a basis of safety, whether they be liquid or not, will help to revivify business.

South Sees Cut in Rail Rates As Step Toward Foreign Trade

NEW ORLEANS, together with other Gulf and South Atlantic ports, has scored a technical victory in the fight with North Atlantic ports for export and import traffic. The 6 to 5 decision of the Interstate Commerce Commission authorizing the railroads serving Southern ports to reduce rates from the interior without regard to those from intermediate points may not serve to improve their competitive position materially, but it is regarded by observers as presaging the time when the Southern ports will gain a complete victory. Meanwhile, they have obtained much in the recognition by the commission that one group of railroads should be granted relief necessary to enable them to obtain traffic in competition with other roads operating under more favorable conditions.

Because the routes through the Southern ports are generally longer than those through the North Atlantic gateways, it would be futile for the roads serving the former to attempt, on the basis of their domestic rates, to obtain export and import traffic from and to most of the points in Central and Western trunk line territories. The evidence shows, however, according to the commission, that there is a reasonable prospect that routes through Southern ports eventually may be used more extensively than they are at present in the movement of foreign trade under an adjustment of rates that will compensate for disadvantages in situation.

As this adjustment is limited to fixing 65% of the domestic rates as the minimum on export and import traffic, the commission's action is regarded more as a friendly gesture to the South than as a mean by which Southern ports can immediately attract a larger share of the foreign trade.

Under the old rate, Chicago shippers had to pay $2.15 a hundredweight on freight booked to New Orleans for foreign consignment as compared with $1.42 to New York. Now they will pay about $1.40 via New Orleans, a reduction of approximately 75¢.

Motor Makers Standardize New Model Dates

ALL 1932 models of automobiles will be announced during November and December this year, if the industry follows the recommendations adopted unanimously by the directors of the National Automobile Chamber of Commerce last week. This action is advised to benefit: (1) dealers—by eliminating possible market disorganization during the spring and summer months when normal sales are greatest; (2) buyers—by removing their present uncertainty as to how long their new cars will remain unsuperseded by newer models; (3) manufacturers—by reducing cost of tooling up for new models; (4) labor—by moving inventory shut-downs to October and making the last 2 months of the year a period of greater activity.

Under present conditions, new model announcements start frequently in June and continue at uncertain intervals up to and after the national shows. Most makers have standardized announcement dates but, when conditions warrant, have not hesitated to advance or retard them, causing considerable confusion among car buyers who are not anxious to have their newly purchased cars superseded by later models several months earlier than expected.

Wide Adherence Expected

While retail sales will undoubtedly be delayed immediately prior to the announcement months, the N.A.C.C. believes the net benefits will more than offset this possible disadvantage. Although the proposal is only recommended, the N.A.C.C. directorate includes the presidents of Hudson, Chrysler, Studebaker, Graham, Hupmobile, Franklin, Packard, Willys-Overland, Nash, and General Motors, which indicates that the recommendations are likely to be pretty generally followed.

Wheat Makes a Bright Spot In the Commodity Markets

COMMODITY prices continue to move with diminishing fluctuations. Perhaps the most cheerful development is the strength shown by wheat. The old crop months at Chicago, under Farm Board control, are at new high levels, and the open July contract, the market leader, is several cents above the low mark of a few weeks ago.

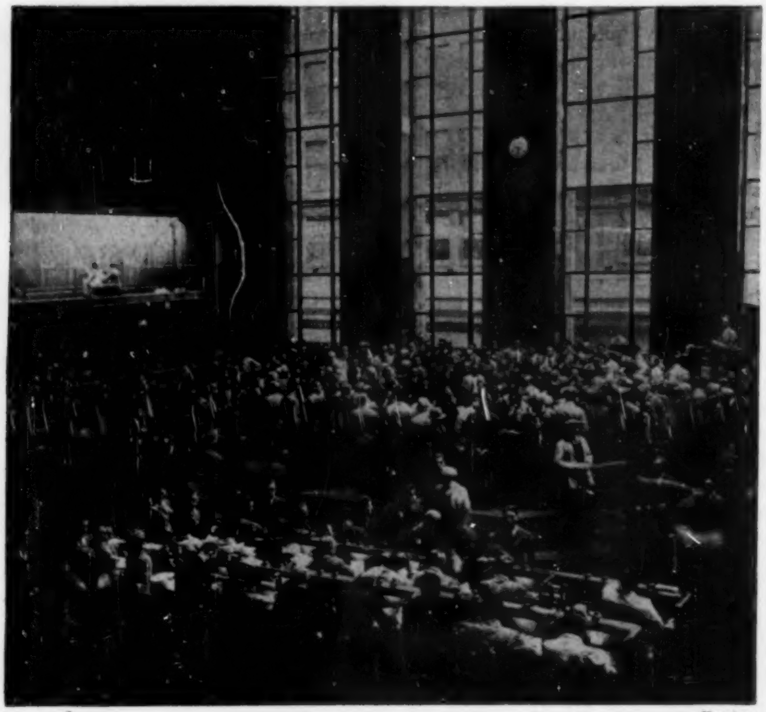
Farm Board Chairman Legge says that the Grain Stabilization Corp. will continue its market activities, but finds it unnecessary to do much buying. He estimates its present cash and futures holdings of wheat in excess of 130 million bushels and thinks they may reach 150 millions by July 1. If the corporation continues its operations until summer, it will probably have last year's crop carryover well in hand.

Australia to India

Wheat markets here are largely under the influence of domestic conditions. But considerable attention has been paid to the report of a sale of 1 million bushels of Australian wheat to India, suffering from drought. A discussion of the world's grain problem is now taking place at Geneva among representatives of 26 countries, including the United States but not Russia, and the League of Nations economic committee. Preferential grain tariffs and agricultural credits are among the questions studied.

Cotton remains unsteady, with offerings small and prices moving within a narrow range. The consumption figures for December showing mill takings smaller than expected had no apparent adverse effect on prices. Cotton consumed in December amounted to 406,207 bales, exclusive of linters, compared with 414,887 in November and 452,685 in December, 1929. Active spindles during December numbered 25,525,820 against 25,858,916 in November. Considerable interest is shown in the textile situation in Lancashire, threatened with a lockout of some 250,000 operatives.

The price of copper has again been reduced for both domestic and foreign deliveries. The reduction in the export quotation has stimulated foreign sales so that a rise in price is again expected. An encouraging feature is the improved statistical position of the industry. Total stocks declined in December by 8,389 tons to 585,974 tons, lowest point since last August. The decline in blister stocks of 5,732 tons to 218,799, has brought them down to the lowest level since March, 1923, while the reduction of 2,657 tons in refined stocks to 367,175 is the first decrease since October, 1929. Production was 106,336 tons, a decline of 6,280 below November, the daily rate declining 325 tons.



Keystone

THE CORONATION OF CORN

Wheat, enthroned for 82 years in the biggest pit of the Chicago Board of Trade, abdicates in favor of corn, now the grain leader

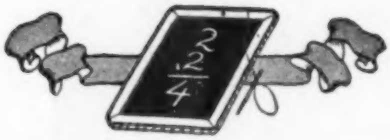
Sugar Plan Seems Assured Though Java Is Restive

PARIS (*By Cable*)—German sugar interests have ratified the so-called compromise world agreement after hope of their adherence had practically disappeared. Under the revised terms, Cuba sacrifices 575,000 tons, and other European beet sugar countries 175,000 tons from original export quotas, to allow Germany 1,750,000 instead of 1 million tons over a 5-year period, whereof 500,000 for the first year. The Germans are expected to seek a larger sugar market in India, which will mean a direct collision with the Javanese.

Back in Amsterdam, where Chadbourne's capitulation to German demands, chiefly at the expense of Cuba, is interpreted as proof of the weakness of Cuba's position, there are threats of further rifts in Javanese solidarity. The Landbouw group (*The Business Week*, Jan. 7) has published another bitter attack on the plan, maintaining that Java has been duped by the author's arguments; asserting that its growers should have accepted no greater obligations than the Americans, Hawaiians, Filipinos—i.e., not to stimulate production. However, the majority of the Javanese apparently favor ratification of the plan, hoping that Chadbourne will now be able to line up other countries, notably Russia. They will hold a decisive meeting shortly.

The Dutch government has been approached to support the scheme and may yield to the extent of trying to control Java shipments through export licenses, without interfering in production. But critics see possibilities of large-scale evasion.

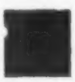
The Java Sugar Trust is reported endeavoring to obtain licensing authority, but is opposed by a strong minority With further struggles ahead, the survival of the trust is uncertain. Meanwhile, it is refusing to accept orders on the old base price of 8 florins a quintal or 1.46¢ a pound.



The ARITHMETIC *of* GOOD ADVERTISING

THE square below graphs the American market in terms of 122,693,391 population, but if you buy magazine advertising on that basis your pencil isn't very sharp:

First of all, the square needs to be shrunk to the total number of *families,* 29,000,000—like this:



Then it needs to be shrunk again to the families which mentally are *directly reachable,* somewhere near 11,500,000 families in which some adult is above 14 years in intelligence—like this:

Then it needs to be shrunk once more to the families which have ample current *money to spend,* the families from which the 4,062,804 income tax returns were filed—like this:

PONDER that smallest square, gentlemen, for there is the heart and hope of prosperity—the bull's-eye of the sales target in America.

It does not represent *all* the business, of course, but it does represent the *cream* of it.

It does not encompass the *whole* advertising audience by any means, but it does highlight its most *responsive* section.

Most important to the advertiser, it is the power-plant and central-station of American public opinion, motivating national thought, national taste, national *acceptance,* national *sales!*

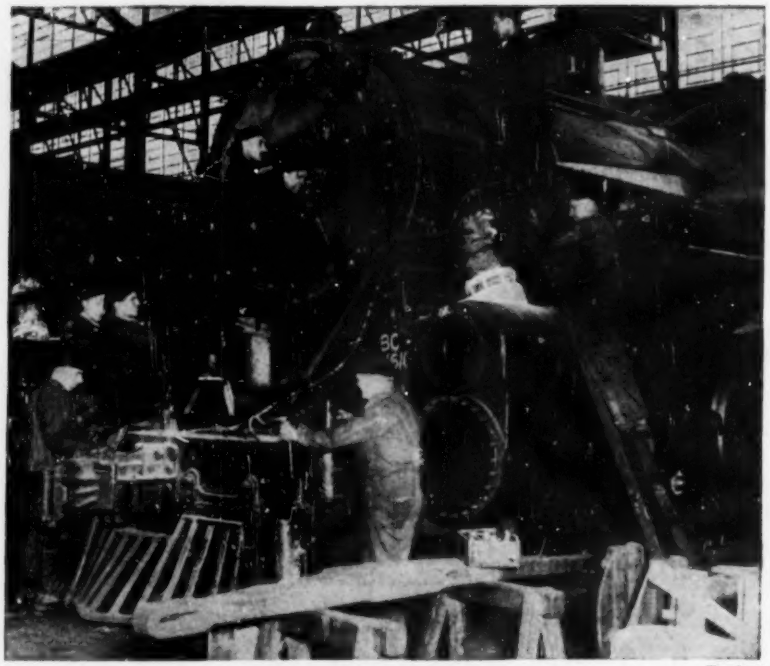
THE arithmetic of good advertising in this day and age is simply figuring maximum advertising pressure against this preferential market at minimum cost.

Because THE SATURDAY EVENING POST reaches the first three million families in America, with tested sales-power solidly grounded on tested character, it stands alone as the great Common Denominator in any such equation!

THE SATURDAY EVENING POST

"AN AMERICAN INSTITUTION"

THE CURTIS PUBLISHING COMPANY — INDEPENDENCE SQUARE, PHILADELPHIA



Keystone

BACK TO WORK

Nearly 25,000 railroad shop employees took up their tools again, last week. In this Chicago & North Western shop, some 3,000 were re-employed

health fifth, 4,030; lockers sixth, 3,850; vacations seventh, 3,720. Of this seventh group, 3,550 were favorable comments. Western Electric gives 2 weeks simultaneous vacation with pay to practically all employees. Two stated they would rather work straight through than have a vacation with pay.

Monotony and noise came away down in the list, twenty-ninth and thirty-fourth, respectively. Apparently sympathy is often wasted on workers whose jobs are monotonous. Jobs that to a visitor look terribly monotonous soon become automatic to the worker. Only 600 commented on monotony and three-fourths of these were, "My job is not monotonous," or something like that. Only 104 had anything to say, either good or bad, about noise.

Mr. Putnam believes a lot more digging will be necessary to get at the real meaning of and motives behind these thousands of comments.

Human Factor in Production Subject of Unique Research

Western Electric Finds Pay, Placement, Thrift Take First Place When Employees Talk Shop

"A STUDY of the human energy that goes into our product" is being made by Western Electric's Hawthorne works, second largest plant in American industry. "We know about our machinery, we know about our plant, but we don't know much as yet about the human factor," explains M. L. Putnam, in charge.

During the year past 20 trained personnel interviewers have interviewed under an agreement of anonymity 10,300 representative employees of the 30,000 in the big Chicago plant (*The Business Week*, Mar. 12, 1930).

Questions Asked

Such questions as these are being answered: What are the workers thinking about? What are they worrying about? What suggestions do they offer? How efficient is plant supervision? Some comments lead to immediate action to improve supervision, correct mistakes, apply good ideas, or stop losses. Most of them, however, are simply material for further deep study.

Having classified all comments, Western Electric finds that workers have talked much about personal situations, both inside and outside the plant. They talked about 35 different things in the plant. Remarks about pay were most numerous. In the 10,300 interviews there were 11,800 comments on this subject, the majority favorable.

Placement came second, 8,830 comments, of which 7,320 were favorable, 1,510 unfavorable. High proportion of favorable comments indicates that Western Electric is doing a good job of putting square pegs in square holes and round pegs in round ones.

The third most discussed of the 35 subjects is surprising—thrift, 5,810 comments, over 50%. This is explained by the fact that Western Electric has several well-developed savings plans: an employee building and loan, a stock purchase plan, a ready money plan, and an insurance plan. Most employees participate in one or more of these.

Hours came fourth, 4,290; safety and

Another 100,000 Go Back to Work

LED again by Ford and the automobile industry, about 100,000 more workers returned to their jobs this week after involuntary vacations of varying duration. About 60,000 men came back to work at the Ford plants in Detroit. This brings the total payroll close to 75,000—only 10,000 below normal. At Ford's assembly plant outside of Chicago and his plate glass plant near Pittsburgh, 2,300 more men were signed up again.

Other Detroit companies which increased their force were: Buick, which added 1,700-10,000 since Jan. 2—and now employs 13,500; Cadillac, which is working its full normal force of 6,000; Hudson, with 10,000 on its rolls.

In Cleveland, Sherwin-Williams Co. returned its 5,400 employees to full-time operation after having operated its plant on a stagger system for several months.

Singer Manufacturing Co. and its subsidiary, Diehl Manufacturing Co., have resumed operations at Elizabeth, N. J., with 6,000 men, after a shutdown since Christmas for inventory.

Nearly 3,000 workers have returned to their jobs in Fall River mills during the past few days. King Philip and Parker Mills of Berkshire Fine Spinning Associates, have reopened; Charlton mill has gone on full time; Borden City Manufacturing Co. has placed more looms in operation.

The Better Business Bureau Wins Its Case, As Usual

New York Attack Shows How It Has Made Enemies From the Start—There Are Also Friendly Critics

EXCERPT from a letter to The Editor from "The National Business Men's Protective Council, Inc.":

> You have, no doubt, observed the rising protest against the Better Business Bureau system . . . The agitation has gone too far to permit of silence. Please declare yourself and favor us with a clipping of your comment.

Always eager to oblige, *The Business Week* investigated. Various attacks and snipings have been recently directed at Better Business Bureaus. The above letter has been broadcast along with a terrific blast against the bureaus. It is illumined by a cartoon showing "Oppressed Business" strangled in the coils of a python labeled "Better Business Bureaus and Other Rackets." Said python is equipped with a most unbiological pair of hands. The literature alleges that 100,000 business men are being slandered, that business has fallen under the rule of the "racket." Your support—and your funds—are solicited.

Where It Started

A report of the New York Better Business Bureau declares that this tirade emanates from an office in lower Manhattan occupied by Mr. Gene McCann, a dealer in securities; that Mr. McCann has been twice convicted of larceny; that charges of fraud in the sale of securities brought by the state are pending against him in the New York courts. A possible reason for Mr. McCann's venom may be found in the fact that legitimate brokers and bankers backed the establishment of the New York Better Business Bureau and that an important activity is the pursuit and harassment of persons dealing in sour securities.

Similar attacks against the bureaus have been made in Chicago, St. Louis, Detroit, Boston, Montreal, and in Texas. Usually a firm whose activities have been under fire circulates the above literature or the highly-seasoned pamphlets of the Bronx Chamber of Commerce. The Bronx Chamber has a younger brother—the Manhattan Board of Commerce. Mr. Logan Billingsley is said to dominate the two organizations, as chairman of the Manhattan Board of Commerce and president of the Bronx Chamber.

Beyond his regular business of real estate, Mr. Billingsley has pursued various and interesting activities. Investigation by the Better Business Bureau revealed that in soliciting members (and funds) for his Manhattan Board of Commerce the promoter was using a most august list of names. Owners of these names did not know they were being used. Mr. Billingsley was confronted with the evidence and requested to cease and desist.

Meanwhile, a small New York weekly had been grubbing into the Billingsley past. Some very racy facts were exhumed and printed. The story described also the bureau's action against the solicitation methods of the Manhattan Board. Mr. Billingsley's retort was a suit for alleged libel against the New York Better Business Bureau. He asked a quarter of a million damages. He also struck at the organization from another direction.

Acme—P & A—Moreau

LOGAN BILLINGSLEY

He failed to best the Better Business Bureau

His trade associations appointed a committee to investigate the bureaus. Its report was prompt, its language tinged with brimstone. Here is a sample quotation:

"Would American business knowingly consent to be subjected to the inquisition, prosecution, and condemnation of fifty self-anointed censors, who may follow any impulse of fancy, avarice, extortion, blackmail, jealousy, hatred, ambition or envy, conceived by themselves or inspired by others?"

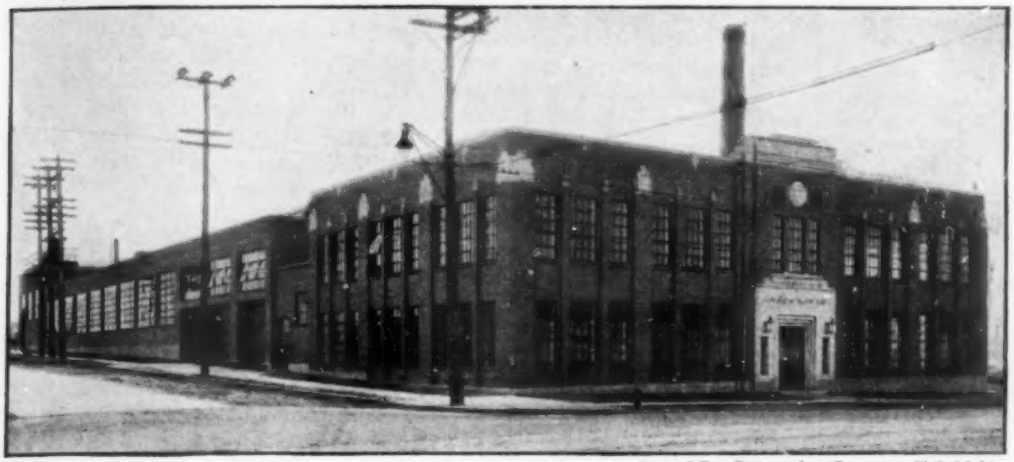
Lately, counsel for the Better Business Bureau examined Mr. Billingsley as a preliminary to the libel action. Mr. Billingsley admitted that he had been tried for the murder of his father-in-law but said he was acquitted. Also that he had been repeatedly arrested for the violation of liquor laws in Washington state. The bureau has produced records to prove that Billingsley was also arrested at Seattle in 1916 as a suspect in the murder of two policemen; that, the same year, he was convicted of violating the state liquor law; that he served a term in the U. S. penitentiary on McNeil Island, was discharged in June, 1919. On Monday Mr. Billingsley withdrew his libel suit.

The battle is not altogether one-sided. A recent score against the Better Business Bureau is a ruling of the retiring New York attorney-general ordering it to apply for a license "as a private detective or investigator." The bureau refuses to be known as a detective agency, declares such a status would hamper the cooperative nature of its work, points out that a former ruling gave it authority to function without such license, caps it all with the statement that it will go right ahead without a license and will resist all efforts to force one on it.

Criticism Welcomed

Not all criticism of the movement comes from adventurers with lurid records. Since their inception 19 years back, the Better Business Bureaus have trod on many a tender corn. Officials of the bureaus are not worried by the present publicity. They take the view that attacks will call attention to their good works. If evils exist, agitation is useful to force their suppression.

There are now 52 local Better Business Bureaus. To guard against the spread of fraudulent or unfair advertising and selling, they exchange information with each other and with the National Better Business Bureau, Inc.,



General Fire Extinguisher Company, Philadelphia

60% Increase in Industrial Construction . . .

WE ARE now doing 60% more construction work for industrial companies than we were a year ago, indicating that many manufacturers are taking advantage of present favorable construction conditions to build replacements and new plants.

Construction costs are lower today than at any time during the past eight years. Out-of-date manufacturing facilities may be replaced now at lower cost than formerly.

During the past twelve months we have served the following companies, among others, performing both engineering design and construction in many cases, and in others building from the plans of the client's own engineers or architects:

American Can Company
American Potash & Chemical Corporation
Barber Asphalt Company
Commercial Pigments Corporation
Crane, Limited
Dominion Coal Company, Limited
General Fire Extinguisher Company
Gulf Refining Company
Illinois Steel Company
National Tube Company
Pittsburgh Plate Glass Company
R. C. A. Communications, Inc.
John A. Roebling's Sons Company
Roessler & Hasslacher Chemical Company
St. Joseph Lead Company
Susquehanna Pipe Line Company
Westinghouse Electric & Manufacturing Company

Our services as construction engineers—to execute both engineering design and construction or to build from the plans of other engineers or architects—are available to those contemplating new manufacturing, warehouse or power facilities.

UNITED ENGINEERS & CONSTRUCTORS, INC

combining

Day & Zimmermann Engineering & Construction Co.
Dwight P. Robinson & Co., Inc.
The U. G. I. Contracting Co
Public Service Production Co.
United Engineers & Constructors (Canada) Ltd.
Dwight P. Robinson & Company of Argentina, Inc.
Dwight P. Robinson & Company of Brazil, Inc.

Design and Construct

INDUSTRIAL PLANTS
STEAM POWER STATIONS
HYDRO-ELECTRIC DEVELOPMENTS
RAILROAD WORK
GAS PLANTS

Build

APARTMENTS
HOTELS
OFFICE & MONUMENTAL BUILDINGS

UNITED ENGINEERS & CONSTRUCTORS

INCORPORATED

DWIGHT P. ROBINSON, PRESIDENT

PHILADELPHIA NEW YORK NEWARK BOSTON CHICAGO
LOS ANGELES MONTREAL TORONTO BUENOS AIRES RIO DE JANEIRO

MAXIMUM RETURN TO CLIENTS PER DOLLAR INVESTED

which operates in the field of national advertising. The larger organization is the direct descendant of the old National Vigilance Committee of the Associated Advertising Clubs of the World. The name Better Business Bureau started in Indianapolis, spread as other cities organized, was adopted 5 years ago when the National Bureau incorporated.

The national body has no jurisdiction over local organizations. These latter are joined in the Affiliated Better Business Bureaus, Inc., which binds them by a voluntary agreement of cooperation. The attack of Mr. Billingsley *et al.* against the New York Bureau is nothing new—it has been a battle from the start.

When the national body incorporated it changed from a voluntary committee to an organization in which authority and responsibility became definite. It is controlled by subscribing members who elect officers annually. Subscriptions run from $25 to $5,000 a year. Support is mainly from national advertisers, publishers, advertising agents. About 800 cases are handled a month.

The movement is an expression of the desire of business to regulate its own affairs. The Federal Trade Commission is hemmed in by laws, is not flexible, moves with the leisure of government bodies. Fraudulent advertising (primary quarry of the Better Business Bureaus) is easy to fight since all that is necessary is to drag it into the light. Much harder is the demarcation of ethical boundaries beyond which advertising claims are not allowed to go.

Handling Complaints

To keep control from any one group, bureau officers are usually chosen from a diversity of interests. Actual work is done by paid employees. Cases usually arise from a complaint by some company that a competitor is hitting below the belt. But action is taken only on the evidence uncovered by the bureau itself. First, the other side of the story is obtained. If the company agrees to desist there is no record of the case. If it refuses, 2 courses are open: publicity, or submission of evidence to a law-enforcing body. Complaints from outside the membership are invited.

No legal step is taken until the most careful scrutiny of the case has been made. Injured persons can always sue for libel. There have been many suits —but no bureau has yet lost a libel action.

While the value of the bureaus is generally admitted, there appears in some quarters a feeling that, since the work has been delegated to paid investigators, too much territory has been taken in. Doubts assume the form of friendly questions: Should not the bureaus leave all legal steps to legally constituted authorities? Should wide publicity be given the result of investigations? Does solicitation of contributions by salaried agents invite suspicion that the interests of subscribers conflict with non-subscribers? Ought investigations to be confined to cases of outright fraud?

Officials of the bureaus stick triumphantly to their guns. They point to the decline in irresponsible medical advertisements and such business buccaneering since they went to work. They cite indorsements by political and business leaders from President Hoover down. As one bureau official puts it, "There is nothing to us but the confidence people have in the bureaus. Let that go and we are gone. The respect in which the organization is held is the best proof of a hard job faithfully performed."

Survey Shows Ways to Increase Oil Sales to Industrial Plants

OIL companies that have been competing strenuously for automobile business are now taking a fresh look at the sales opportunities open to them in the field of industrial lubrication. New facts and figures on these opportunities have been placed in their hands with the completion of the McGraw-Hill industrial lubrication survey, first such national study.

Analysis shows that, both in gallons and dollars, the volume of lubricating oil used by industry is greater than that used by automobiles. In gallons it is double, in dollars, about a third more. Total industrial purchases exceed $300 millions.

Seeking detailed information about where this money goes, 20 investigators called on 1216 oil-buying officials in 656 plants in 75 cities in 32 states, Massachusetts to California. Large, medium, and small plants were included, picked to give an accurate cross section of American industry. Oil and grease purchases of the plants surveyed exceed $4 millions, about 1½% of the national total.

Thirty-three oil companies are getting 81% of this industrial business, the in-

Wide World

WHY NOT MOTOR TRUCKS?

The mechanical horse makes its appearance in the railway yards of London. The miniature tractor works under the front axle of a wagon

quiry shows. Standard Oil of Indiana is first in dollar sales. Texas, Atlantic Refining, and Vacuum Oil follow. Texas Corp. is the only concern with complete national distribution facilities, including warehouses. While a few other companies solicit business nationally, the majority concentrate in limited areas.

Merchandising shortcomings revealed by the survey are not new ones. They are found in many fields:

1. There is too little selective selling. Salesmen "chase smokestacks." They do not allot their working time in proportion to probable results. Though only 16% of the plants purchase 72% of the lubricants, oil companies make little effort to concentrate on selling these worthwhile units. They work just about as hard selling the 40% of plants whose combined purchases are only 4% of the total.

2. Salesmen reach only a minority of those who have a voice in purchasing lubricants. In a typical company there are 3 such men, the survey reveals. Seldom does a salesman see more than one of them.

3. Price is too much of a factor. Quality and engineering service are not stressed as they might be. Asked which company produces lubricants of the highest quality, 34.6% replied: "None—oil is oil"; 16.4% named one company—the only one of the leaders that does not make price a major appeal.

4. Opportunities to sell quality lubricants as a means to reducing operating costs are being passed up. Half the men questioned stated they believed their plant costs can be further cut by better lubrication.

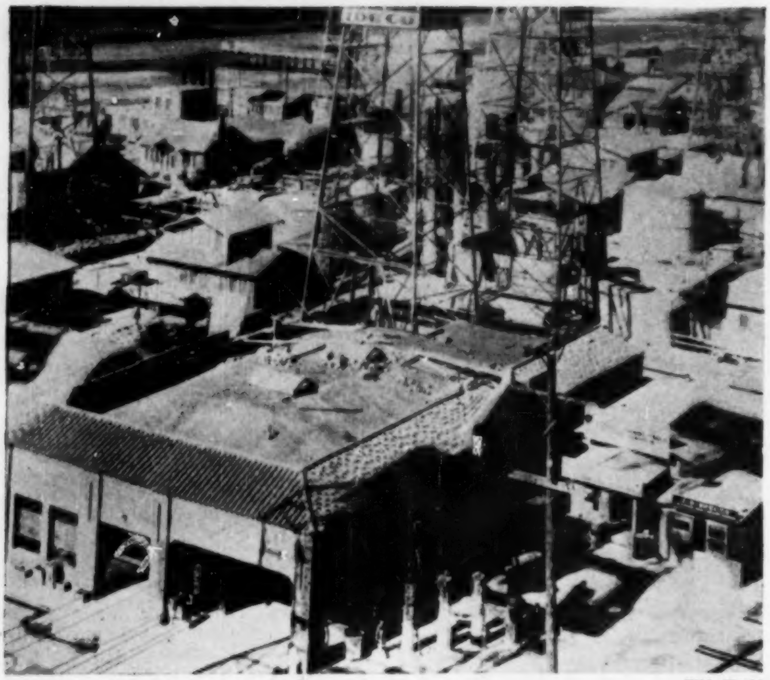
Plan Second Car Ferry New Orleans-Havana

New Orleans will have an additional railroad car ferry in operation to Havana, Cuba, if plans of the Florida East Coast Ferry Co. and the Florida East Coast Railway are approved by the Interstate Commerce Commission.

Site for the ferry slips and a terminal to cost $100,000 has already been set aside in the Industrial Canal.

The Florida East Coast Railway has operated a car ferry service between Key West and Havana for several years. Two years ago, the Overseas Railway, Inc. instituted one between New Orleans and the Cuban city.

The Florida company proposes to put 2 ferries, each with a capacity of 28 loaded freight cars, on the New Orleans route and to have them touch at Key West.



Wide World

SUPPLY AND DEMAND

Oil in the back yard is nothing new, but oil in the back room is. This garage, in Venice, California, continues to operate a filling station in the same building with an active oil well

Oil Men Warm Up for a Tariff; Cool Down on Proration

ATTENTION of the oil industry is focussed this week on Washington where, on Jan. 15, several hundred oil men from all over the country came together to discuss measures for aiding the industry—particularly a tariff or complete embargo on foreign oils. The meeting was called by the governors of Oklahoma and Kansas who stated that, unless present conditions are soon remedied, 300,000 small oil wells with an average daily output of 500,000 barrels would have to be abandoned.

Congress is in session; an oil tariff bill is on its calendar; a tariff commission report on the comparative costs of domestic and South American oil output is expected momentarily; so the scene is all set for arousing active, step-taking interest in the industry's condition.

Meanwhile, opposition to proration continues and is now bolstered by the support of Harry F. Sinclair, head of one of the largest of oil independents. While not opposed to the principle, Mr. Sinclair evidently believes the methods used for allotting output, particularly in Oklahoma, are unfair to producers. Oklahoma has a workable proration law—and a rigid one. Oklahoma producers are inclined to believe that they carry more than their fair share of restriction compared with operators in other states where, except to some extent in Texas and California, there are only voluntary proration agreements. A Sinclair company is expected to appeal to the Oklahoma commission for an increased allotment and, if refused, to carry the case to the courts.

Crude Oil Output Down; Refiners' Stocks Rising

DESPITE evident loop-holes in proration agreements, crude producers have been much more successful than refiners in restricting output. December was the sixth consecutive month in which petroleum output declined. Total production for 1930 is about 100 million barrels below 1929. At the same time stocks of crude oil on Dec. 1 had been reduced to 415 million barrels from 428 million a year ago.

Refiners were so encouraged by record gasoline sales in 1929 that by April 1, 1930, they had built up stocks to 55 million barrels. Since then, stocks have been reduced to about 39½ million barrels at the end of the year, and to this drastic and much-needed reduction can be blamed most of the price wars which raged in nearly all gasoline markets during 1930.

During the last 2 months, however, stocks of gasoline have been increasing again and the industry is wondering if this foretells another great refinery surplus. During November and December over 2 million barrels were added to stocks, an amount double that recommended by the 2 committees which laid down an economic program for the industry at its annual meeting in Chicago (*The Business Week*, Nov. 26, 1930).

Recommended stocks on Jan. 1, 1931 were 35,754,000 barrels; actual stocks were nearly 41 million, over 5 million, or 14%, in excess. During November stocks should have been reduced 946,000 barrels, according to the recommendations; instead, they were increased 72,000. December crude runs to stills are correspondingly in excess of requirements.

Since, to a large extent, the prosperity of the entire oil industry in 1931 will depend upon the limitations which refiners place upon their operations, their activities during these winter months, when stocks frequently run away with themselves, are being watched closely by the rest of the industry.

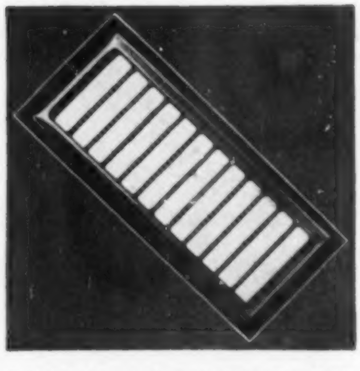
Electrical Appliances Show Gain in Sales Volume

GAINS in sales volume for electric refrigerators, ranges, and household clocks were the features of the electrical appliance industry's 1930 record.

Domestic refrigerator sales for the year totaled 775,000, with a money value of $197,625,000, comparing with 630,000 sold in 1929 for $181,175,000. Ranges sold reached 180,000, for which $27,600,000 was paid. In 1929, 158,000 ranges brought $27,270,000. American families purchased 1,200,000 electric clocks last year for a total of $15,155,000. In 1929, 350,000 were sold for $7 millions.

Noting the effect of price reductions, this survey by *Electrical Merchandising* points out that refrigerators show a gain of 23% in unit volume, of only 8.8% in dollar volume; ranges reveal a gain of 11% in units sold, of 4% in dollars.

DON'T WAIT UNTIL THE RACE IS STARTED . . .



G. P. & F. drawn and punched grille (of 14 U. S. gauge steel) for heating system application. Naturally the smooth finish is desirable for attractive appearance. The light weight and thin cross section would be impossible of attainment except in pressed metal.

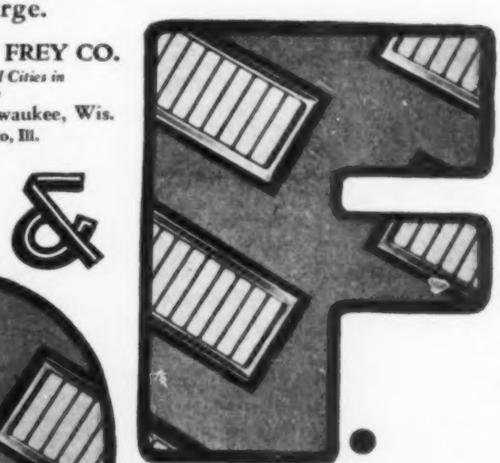
FORESIGHTED manufacturers in every field are taking advantage of these quiet days to get fully prepared, *better* prepared, for the bustling days to come . . . when the race for business is on full speed and every advantage counts double.

G. P. & F. are working with the users of stampings in preparation for the race to come. Tools are being prepared, sample stampings from the tools Ok'd . . . everything in readiness for the "break".

With the background of G.P.&F.'s fifty years' experience in the stamping of countless products, with their huge facilities, their knowledge of every cost-reducing short cut, you can be sure of dies best fitted for the job, of better stampings at lower ultimate cost. And the size of this plant, occupying 19 acres of floor space, assures prompt, speedy delivery of any order.

As the first step in preparation mail the coupon for a copy of the helpful booklet "*In Harmony With Modern Progress*". It was written to show manufacturers what can be done with pressed metals—and is sent without charge.

GEUDER, PAESCHKE & FREY CO.
Sales Representatives in Principal Cities in All Parts of the Country
1407 W. St. Paul Avenue, Milwaukee, Wis.
366 W. Ohio Street, Chicago, Ill.



19 ACRES OF FLOOR SPACE

STAMPINGS

GEUDER, PAESCHKE & FREY CO.
1407 W. St. Paul Avenue, Milwaukee, Wis.
Please send your new booklet "*In Harmony With Modern Progress*" to the address below . . . without charge or obligation.

Name ....

Company Name ....

Address ....

City .... *State* ....

A-4451

Mr. Dubbs' Cracking Process Crashes the Patent Club

Feat Brings $22 Millions to Oil Industry's Best Litigant After Long Struggle in Courts

THE purchase of Universal Oil Products Co. by Shell Union Oil Co. and Standard Oil Co. of California for $22¼ millions may bring to an end one of the most famous "cracking" litigation tangles in the history of the oil industry. Its only competitor is the one involving the Patent Club which federal authorities have long been trying to break up (*The Business Week*, April 9, 1930).

Chief asset of Universal was a petroleum cracking process based on the work of Mr. Carbon Petroleum Dubbs, able, well-known and aptly named petroleum chemist. Prior to the Dubbs development, however, Dr. Burton of Standard Oil Co. of Indiana had a cracking process which had been put into rather general use on a royalty basis. Other processes were developed by other oil companies and most of them (but not Dubbs') were included in a patent pool, to control which the exclusive Patent Club exists.

Faced with markets virtually closed against his process, Dubbs went to the courts and started a long line of litigation charging infringement. For a while this was so much the Universal's chief activity that it got the reputation of being a professional litigant.

Third in Capacity

But the Dubbs process was a good one. When development of California oil fields producing high gravity oil led operators to consider cracking, it was discovered to be particularly valuable for California crude. Shell interests and Standard of California made considerable use of it and, with this start, it has spread throughout the country. In a survey made by the Bureau of Mines in January, 1929, Dubbs cracking units were third in total capacity among 36 different processes then in operation.

Of these 36 only 5 are actively licensed, the rest usually being used at but one refinery each. The Cross process—another independent—was employed in 160 cracking units with a daily capacity of 232,250 barrels per day; the Holmes-Manley process—controlled by the Texas Corp.—was second with 154 units and 232,107 barrels capacity; Dubbs was third with 186 units and 214,600 barrels capacity. The tube and tank process, Standard of New Jersey development, was next with 210,000 barrels capacity; while the Ison, used by Sinclair, came fifth, although it is not generally licensed.

Burton's was the first commercial process but has long been antedated by more modern methods. Although there were 1,060 Burton units in operation when the survey was made, their total daily capacity was only 192,000 barrels.

Cracking of petroleum is, essentially, its distillation under pressure. As one petroleum chemist has described it, it simply cracks the whip with a long chain of carbon and petroleum atoms and snaps off a few of the smaller groups. Its advantage is that considerably greater yields of gasoline can be obtained from the same charge of crude oil than by ordinary distillation methods.

Keystone

CARBON PETROLEUM DUBBS
Oil chemist, the son of an oil chemist, he is aptly named

Change of ownership of the Dubbs patents is expected to have little effect upon the industry's use of them. Two years ago Shell interests operated 60 or one-third of all the Dubbs units in operation; Standard of California had nearly 20 more. Other large companies using Dubb units were Barnsdall, Pure Oil, Pennzoil, Continental. Participation by a Standard company in the purchase indicates that the Dubbs patents will now become members in good standing of the Patent Pool.

Dubbs' fight for recognition of his process was financed to a considerable extent by the late J. Ogden Armour, who had invested about $3 millions in Universal. Upon Armour's death, insolvent, his Universal stocks were declared to be worthless; now Mrs. Lolita Sherman Armour, his widow, gets over $8 millions for them. Dubbs' share of the $22 millions is about $3½ millions.

Chicago Starts Airline On Fast Schedule

HIGH - FREQUENCY airplane service, claimed by not a few aviation authorities to be one of the most needed improvements in the development of successful air passenger transport, is getting a boost in Chicago.

Century Air Lines, Inc., has been organized, announces rapid-fire schedules out of Chicago. Beginning late in February, 10-passenger, tri-motored Stinson airplanes will make 3 trips daily each way between Chicago and St. Louis, 5 trips daily each way between Chicago and Toledo, and 6 trips daily each way between Detroit and Cleveland by way of Toledo with direct connections with the Chicago plane. Plans for hourly service are being worked out but are not likely to be wholly in effect in less than 2 years.

For the service, 9 planes are being provided, 6 to be in operation, 3 in reserve. Two planes will be operated on each of the 3 lines.

Fares for round trips are to be approximately railroad fare plus chair car fee, which is $14.51 from Chicago to Cleveland. Present Chicago to Cleveland air fares are $26; Chicago to Detroit, $18. Company officials believe they can show a profit at fares competitive with railroad rates if planes can be filled 55% to 70% of capacity. The New York, Philadelphia and Washington Air Line, only other long distance, high-frequency service, operates on an hourly basis, has increased scheduled flights from 10 to 12 daily, sends out 2 ships after dark over the route, carried 17,106

passengers in its first 4 months of operation.

Century Air Lines is a wholly-owned subsidiary of Cord Corp., an investment trust organized in June, 1929, by E. L. Cord, motor manufacturer. Prominent stocks held by the trust include Stinson Aircraft Corp., and Lycoming Manufacturing Co., both of whose products will be used in the new service.

Mercury-Vapor Generator Reaches Commercial Use

THE power industry is reading between the lines of General Electric's announcement that it proposes to install a 20,000-kilowatt mercury-vapor turbine generator at its Schenectady plant to furnish power for New York Power & Light Corp. and process steam for the G. E. plant. To those who know about G.E.'s 15 years of experimental work in cooperation with Hartford Electric Light Co., this move indicates that the mercury-vapor process has advanced to a stage where its commercial development may be warranted.

So-called binary systems of power generation use mercury or diphenyl and offer advantages over water because these materials boil at much higher temperatures and at lower pressures. Thus, mercury vapor at 958° F. has a pressure of 125 lbs. gauge, while water at only 569° F. has a pressure of 1,200 lbs.

With the binary system, a huge amount of steam can be obtained in cooling the mercury vapor, compared with a condensing water loss in a steam turbine.

In the new plant, as a by-product of suppling 20,000 kw. to the power company's transmission lines, 330,000 lbs. of steam per hour will be produced for process, heating, and testing work in the G.E. plant. This will supplant an old steam plant with 20 boilers. Because of design improvements recently made, the 20,000-kw. unit will require no more space than that used by the 10,000-kw. unit now in operation in Hartford.

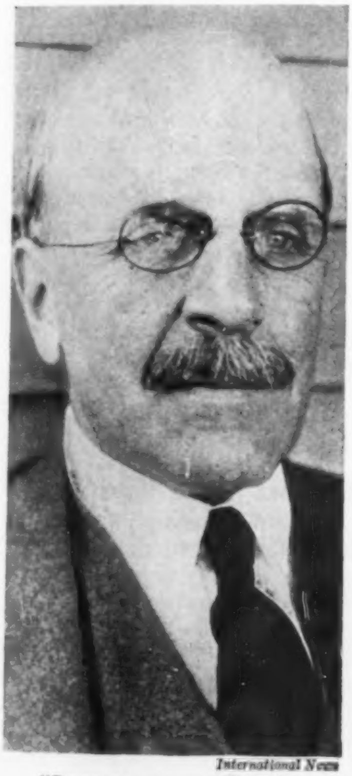
Under full load the mercury turbine will produce 20,000 kilowatts of electricity and 240,000 lbs. of steam at 400 lbs. pressure and 350° F. Expected fuel consumption is 8,800 B.t.u. per net kilowatt-hour. At the Hartford installation, which has been operating almost continually since Feb. 4, 1930, fuel consumption has been about 0.715 pounds of coal per kilowatt-hour compared with about 0.89 pounds for the best practice with ordinary steam turbines and 1.69 lbs. the 1929 average for the country.

Firestone Company's 8-Hour Day Becomes "Slavery" in Liberian

International Commission Blames Tribal Chieftains For Perversion of American Labor Policies

CHARGES by an international commission that labor conditions in Liberia are "scarcely distinguishable from slavery" reopen a touchy topic which, intermittently during the past 3 years, has considerably agitated such dignified bodies as the Liberian government; the State and Commerce Departments of the United States government; the Mandates Commission of the League of Nations; the Foreign Policy Association; the International Society for the Protection of Natives; the Firestone Tire & Rubber Co.

Firestone's interest dates back to the campaign begun by Mr. Hoover, as Secretary of Commerce, to arouse opposition to British rubber restriction mergers. Beginning in 1923, Mr. Hoover urged rubber manufacturers to eliminate wasteful uses of rubber, to make greater use of reclaimed rubber—finally, to acquire their own tropical rubber lands. So U. S. Rubber Co. dutifully developed holdings in Sumatra and Malaya. Ford and Goodyear turned to Brazil. Mr. Firestone chose Liberia.



International News

"SINGING IN THE PAIN"

Prof. Charles Sanford Skilton, of the School of Music, University of Kansas, says music will bring prosperity back, claims popular songs like "Yes, We Have No Bananas!" would increase demand for farm products. Prof. Skilton thus joins the long list of Doctors of Depression

Liberia seemed, in its way, close to home. Since 1821, when it was selected as a settlement for freed slaves by the American Colonization Society, this little nation has occupied a peculiar position in American foreign relationships. From the time it became an independent republic in 1847 it has looked, successfully, to the United States for aid in its foreign problems. Internationally, Liberia has long been considered a quite unofficial, but none the less real, American protectorate.

The 4 Agreements

Investigation of Liberian rubber-growing possibilities begun by Firestone in 1924, resulted, after 3½ years of negotiations, in ratification of 4 agreements by the Liberian government.

(1) Firestone acquired a 99-year lease of 2,000 acres of bearing rubber trees planted by a British company before the War and since abandoned. For this concession Firestone was to pay $2,000 the first year and $6,000 a year thereafter.

(2) Firestone acquired a 99-year lease on its own choice of 1 million acres of land suitable for rubber-growing purposes, at an annual rental of 6¢ an acre for all land under active development, plantation products to be exempted from all customs and internal duties except rubber tax.

(3) Firestone agreed to construct, within 5 years, and to maintain a harbor at Morovia, Liberia's chief town.

(4) Firestone made a $5-million, 7% loan to Liberia which was used, in part, to refund about $1¼ million of outstanding 5% bonds not due until 1952. The loan agreement provided that it become an early lien on governmental receipts and placed in virtually complete financial control of the country's budget a financial advisor who is "designated" by the president of the United States and appointed by the president of Liberia.

Shortly afterward, Dr. Raymond Leslie Buell made a surprising report to the Foreign Policy Association. This report, later published in a book entitled, "The Native Problem in Africa," charged that with the tacit aid and consent of the American State Department, Firestone interests: (1) had obtained a concession in Liberia under such onerous terms as to imperil the economic integrity of the country; (2) had obtained virtual economic control of the country for 20 years; (3) had instituted a plantation development program too large to carry on without ultimate resort to enforced labor. All of these charges were denied by the State Department, by the Liberian government, and by Firestone.

Absolves Rubber Concern

The international commission's report on Liberia issued this week bears on only the third point in this bill and, if it seems to indicate that Dr. Buell's judgment was correct on this point, it also absolves Firestone from any conscious connivance in the promotion of forced labor. The commission found no evidence that the company was knowingly employing labor of this kind or was hindering in any way the free movement of its native employees to and from jobs. Further, it found that the Firestone Company paid its wages direct to employees, that it had even introduced the 8-hour day to Liberia.

However, that isn't the end of the story that Mr. Firestone and Dr. Buell will read so carefully, for the commission adds that those who hire labor on such a scale in Liberia have no control over the compulsory recruitment practiced or condemned by the Liberian officials who supply plantation workers. Workers in large numbers can be obtained only through tribal chieftains. Their authority over their men being supreme, the tendency toward enforced labor under such conditions is obvious.

Except that rubber imports from Liberia have been very small (because active tapping of new trees on the Firestone plantation did not start until last fall, and then in a small way only) it would not be surprising if some zealous government official, remembering our action in regard to Russian lumber imports, tried to bar Firestone rubber on similar grounds.

Acme

THAR'S GOLD IN THAT THAR HILL!

America's newest gold strike is in Nevada, 155 miles from Reno, 50 miles from Lovelock. True to tradition, the first tent with a floor in it was a saloon, or, rather, a speakeasy. Here, Charlie Scossi, one of the discoverers, pans out a little pin money for the camera man

Loan to China One of Many Forlorn Hopes for Silver

THE world seems to have awakened to the fact that silver is not a mere commodity, that it is still used as money by half of the earth's population, and that it is desirable in the interest of international prosperity to keep its price stable. This realization comes at a time when the value of silver is at the lowest level in history, when the large silver reserves of India and China are worth 42% less than a year ago, and when the West finds its trade with the East substantially reduced.

Silver's downfall to less than 30¢ an ounce has been going on for several years. Causes include: (1) the debasement of silver money in the western countries; (2) the adoption of the gold standard by India and Indo-China; (3) the internal disorders in China. Their effect has been to reduce consumption, while the production level has remained relatively high because silver is largely a by-product of other metals.

Remedies are: (1) expansion of silver reserves and silver currency in the western countries; (2) cessation of sales of silver by the Indian government; (3) abolition of the Indian duty on silver imports; (4) international bi-metallism; (5) adjustment of the price of silver to a composite copper-lead-zinc price index; (6) an international loan of $1,000 millions to China.

A United States Senate sub-committee headed by Senator Pittman, which has been investigating the problem, will shortly submit to the Foreign Relations Committee, proposals for: (1) the opening of discussions between the United States and other interested governments in regard to Indian sales of silver; (2) a large silver loan to China; (3) an international agreement for restoring the price of silver. The American contribution to the international loan would be in the form of standard silver dollars to the amount of $250 millions held by the Treasury.

The suggestion of a silver loan is viewed with considerable skepticism. What China is suffering from is not scarcity of silver, but its depreciation. Shanghai and other great banking centers are overstocked with silver as a result of the transfer to them of large quantities from the interior during the internal disorders. If the object is to provide China with credit, silver in the United States, England or elsewhere could be earmarked for that purpose. This, of course, would not serve the purpose of the silver producers here who want to reduce the silver stocks in this country.

There is also great doubt as to the practicability of the proposal of using more silver in subsidiary coinage. Silver would have to be worth $1.29 an ounce today to bring the value of the silver content of a dollar up to its face value; $1.38 an ounce to give halves, quarters and dimes their full metallic value. An increase in the size of the smaller coins would lead to refusal by the public to accept the silver dollar; an increase in the size of the dollar would be wholly impractical. A reduction in the size of the dollar would necessitate a reduction in the size of halves, quarters and dimes. Increased consumption of silver due to the greater popularity of the dollar as a medium of exchange would be offset by the reduced consumption of silver in the smaller coins.

Issuing more silver certificates in place of gold notes is regarded as a subterfuge to accomplish a questionable end. In the final analysis, all U. S. currency is backed by gold and a mere increase in the use of silver as a medium does not relieve gold of its duty in maintaining the monetary system at par.

An increase in the industrial consumption of silver would be helpful if it were possible to raise domestic consumption above domestic production. But the possibility is more dependent upon a low price of the metal than upon any other factor.

Price Decline Starts Boom in Gold Mining

As a result of the sharp decline in the prices of silver and of copper, lead, and zinc, with which it is largely derived, production of the metal was reduced last year.

In contrast, gold production shows a marked increase. This is due to the fact that, the gold price always remaining stable, when the commodity level drops, the cost of producing gold also drops. The gold output in 1930 was the largest in many years—in excess of 1929 probably by 3%. South Africa and Canada, in particular, have benefited from lower costs and the abundance of skilled labor made available through the curtailments in base-metal mining. The province of Transvaal, responsible for more than half the world's output, will probably show an increase of over 2½% for 1930.

In Canada, gold production last year for the first time exceeded the 2 million oz. mark.

In Australia, where the gold output has declined steadily since the peak years at the beginning of this century, 1930 production will show an increase over 1929. As an incentive, the government has declared a bonus of £1 an ounce on all gold produced in excess of the average annual output for the last 3 years.

New Guinea, Panama. Venezuela, old camps throughout the United States—almost every district in which gold has been mined or found is feeling the effect of renewed interest.

Mining Costs Money

But capital is the big question. High-grade gold properties that can be worked at a profit from the "grass-roots" are few and far between these days. Low-grade mines mean the investment of large sums, the exercise of much patience.

At the end of 15 years of struggle, Alaska Juneau has recently been able to declare its first dividend of 10¢ a share on 1½ million shares outstanding. Second largest United States gold producer, this enterprise handles ore carrying only about 90¢ worth of gold to the ton and is making a profit of about 30¢ a ton.

Ores of a higher grade, on the other hand, yield good returns. Modder Deep, probably the world's lowest-cost mine, produces about $11 of gold per ton of ore treated at an expense of $7.22 per fine ounce, excluding depreciation. Tech-Hughes, another low-cost producer, obtains approximately $16 of gold per ton at an operating expense of $7.52 per fine ounce of gold.

Canada Celebrates Start Of Railroad and Currency

CANADA celebrates this year two jubilees of significance in the economic life of the country.

On Feb. 15, 1881, the Canadian Pacific Railway Company was organized in Montreal and the following day it was incorporated, depositing $1 million with the federal government as a guarantee on its contract. The first sod in the first Canadian transcontinental line was turned on May 2.

In 1871 decominal currency was adopted by act of Parliament. Previously there had been progress from the use of beaver skins to English shillings and Spanish dollars as the basis of value.

Small Nations' Tariff Truce Covers Big Foreign Business

EUROPEAN NEWS BUREAU (*By Cable*)—Europe is wakening to the fact that something significant happened when northwestern Europe signed a tariff truce Dec. 22 (*The Business Week*, Jan. 7) which was generally overlooked by business.

The treaty was signed at Oslo by representatives of Holland, Belgium, Luxembourg, Sweden, Norway, and Denmark. It represents the first practical result of efforts made ever since last spring under the auspices of the League of Nations to bring a halt to the world epidemic of extreme protectionism. Ratification by the various governments is pending but almost certain.

Principal provisions (announced so far only in Holland): (1) Signatories agree not to increase tariffs or make new tariffs without 15-day notice to all the others; (2) if one party considers any proposed change prejudicial to its interest, it is entitled, within 10 days, to suggest modifications; (3) if the party intending a change finds these modifications unacceptable it can go ahead with the change within one month from the original notice, providing all parties are immediately advised by telegraph; the prejudiced party, 15 days' notice, may then terminate adherence to the treaty; (5) members may create emergency duty changes under exceptional circumstances without previous notification but with immediate telegraphic advice to all others; (6) the treaty is to stand for 6 months, is terminable by any party on one month's notice, otherwise is automatically self-perpetuating for successive 6-month periods; (7) any non-member country may join the agreement if sanctioned by all members. Overseas possessions of the contracting parties may join simply by notifying present members.

More Exports Than France

Population of the countries is 28 millions. Aggregate export trade in 1929 was valued at $3,100 millions, which exceeds the export business of France with its population of 40 millions; exceeds even the combined exports of Italy, Spain, Poland, and Russia whose total population exceeds 240 millions; approximately equals the export business of Germany with a population of 63 millions. Still more striking are the aggregate imports of the new treaty countries. Last year they totaled $3,600 millions. This is greater than the imports of either France or Germany, and is surpassed only by the imports of the United States and of Great Britain. Overseas possessions of Holland and Belgium—the Dutch East Indies alone have 50 million people with annual foreign trade exceeding $1 billion—if they join, will create a tariff bloc of great bargaining power.

Closer trade cooperation within this group might lead to an eventual customs union which would imply free preferential trade within the group with tariffs against all outsiders. But this seems unlikely for many years because of the divergence of tariff policies within the group.

French Foreign Policy Behind Loan to Poland

EUROPEAN NEWS BUREAU (*By Cable*)—Warsaw is attaching utmost importance to negotiations between the Polish Ministry of Railroads and French bankers, said to include representatives of the Banque des Pays du Nord and the influential Schneider and Creusot interests. Before the end of January arrangements for a French loan of $40 millions are expected to be completed.

Disposal of most of the loan is already determined. More than $7 millions will be used to complete the new direct rail line connecting Upper Silesian coal, iron, steel, zinc, petroleum and industrial centers with Poland's rapidly growing port of Gdynia. Another $7 millions will go for general railroad modernization, and $6 millions to refund grants already made by the government.

Europe attaches vast significance to the move. The Polish corridor is one of the greatest trouble centers. Certain diplomatic circles favor the eventual federation of Poland and Lithuania which would give Poland access to the sea at Memel. The corridor might then be internationalized, or even be returned to Germany with suitable guarantees to Poland for utilization of the ports of Danzig and Gdynia. A loan of $40 millions by France to unite all industrial districts directly to Gdynia would indicate France's determination to thwart any plan for the return of the corridor to Germany.

Swift Survey of Business Abroad

EUROPE

European News Bureau (*Cable*)—Conditions are again becoming overcast after the first bright week of largely psychological optimism at the beginning of the year. Labor, and possible political, conflicts obscure the immediate outlook. Industrial activity remains generally restricted. Commodity markets are moving irregularly. Though grains, vegetables, oils, and hides are somewhat stronger, industrial materials, especially metals, have manifested uncertainty.

The stock and bond markets also are uneasy, notwithstanding the new strength of Young bonds on all European markets and Brazilians in London on appointment of Sir Otto Niemeyer as financial advisor to the Banco do Brasil. Money, after some yearend stringency, has greatly relaxed, largely restoring pre-Christmas conditions.

The Sugar Agreement

Several favorable developments are notable. The possibility of a world sugar agreement has been renewed following the concession of a further sacrifice by Cuba of an unexpectedly large export quota to Germany, though the solidarity of the Javans is as yet not assured.

Negotiations between officials of the British and French treasuries looking to closer collaboration to check useless gold movements are being continued. Authorities already venture the prophecy that the ultimate purpose of these negotiations is probably, not only to establish a better equilibrium between money markets in the 2 countries, but to prepare the way for the long-contemplated loan conversion in England. Also, there are encouraging indications of greater investment loan activity, with definite moves to unblock French capital congestion. Far Eastern reports are less favorable this week, but the sharp midweek recovery of silver from its unprecedented low is greeted with great satisfaction as tending to strengthen Eastern purchasing power and enable at least partial fulfillment of requirements known definitely to exist.

Wide-spread labor troubles have been the outstanding feature of the week, though so far they are serious only in England and Germany.

The Communist-led Ruhr coal strike has proved a fiasco, but the imposed settlement, based on a 6% wage cut, is unsatisfactory and has been accepted both by coal masters and miners only under duress. New wage difficulties are developing in the lumber industry, while the conflict between the railway men's union and the German Federal Railways seeking to shorten working time in order to avoid dismissal of an alleged 25,000 excess employees remains unsolved. The situation harbors the possibility of a tieup of transportation, though it would seem that business uneasiness exaggerates the probability.

British Labor Troubles

In England, not only have efforts so far failed to end the coal stoppage in south Wales, most important section of the coal fields and now entering the second week of shutdown, but efforts also have failed to prevent a lockout growing out of the more-looms-per-weaver dispute in Lancashire. This lockout, already effective in the Burnley district, now threatens to engulf the total weaving section of the Manchester textile industry, to involve 200,000 operators, and affect 300,000 in the spinning section. Mill owners declare they are resolved to fight the issue to a finish since they consider the future of the industry hinges on mechanization and reduction of labor costs.

Business has been quick to sense, and with uneasiness, the renewed tightening of inter-European political tensions. This is partly occasioned by the approach of the next League Council meeting on Jan. 19, when a number of intertwined and knotty political and economic issues again come to the fore. German-Pole relations are growing more bitter, and the question of war debts and Young Plan revision is very much alive.

League of Nations' Plans

Among the troublesome economic issues on the League of Nations program are tariffs and trade restrictions, regional trade preferences, and the gold investigation. This last, at least so far as existing conditions are to be examined, France is anxious to block because of the feeling that she is being unjustly accused of selfish hoarding. Recent Polish persecutions of German minorities have caused another flareup of German nationalist spirit and refocused German resentment upon the loss of Danzig and the Polish corridor now bisecting Germany into two parts. Germany considers pending French financing of the new corridor trunkline railway connecting industrial centers in Polish Silesia with Poland's newly created port of Gdynia as evi-

Keystone

Denmark's Second Port

The cold-storage warehouse at Aarhus, which, because of its location and harbor and rail facilities, is a center of food imports

dence of Franco-Polish determination to consolidate a situation which represents the postwar equivalent of the prewar Alsace-Lorraine menace. Although Germany is expected to undertake a more militant foreign policy, it is improbable the country will risk provoking a critical situation.

In his New Year's message to the German government, President Hindenburg singled out three objectives, all significant of the future: reparations, protection of minorities, and fulfillment of the disarmament promises of the allies. Wiggin's statement, which has been warmly seconded by Sir Josiah Stamp in England, tends to confirm these expectations.

Stocks and Bonds Lower

Stock and bond markets, troubled by this labor and political outlook, tended to go lower with certain exceptions. The strengthening of Young bonds probably is attributable to a spread of the realization that these obligations are in no wise prejudiced if a moratorium revision of the Young Plan becomes an actuality. Contrarily, it would benefit them, with the benefit to German economy resulting from revision.

Among indications of greater financial activity is the announcement that a consortium, including the National City Bank, has accorded Finland a $7,800,000 credit Poland has ratified the recent Kreuger loan whereby it will receive the first third, or $11 millions, on April 1, the balance on July 1. Negotiations for the Polish $40-million government railway loan to be placed in Paris under the auspices of Schneider and Creusot, great French metallurgical and armament interests, is reported to be progressing rapidly. Ground also is being prepared for a Jugo-Slav $20-million stabilization loan, to be subscribed by an international consortium under Banque l'Union Parisienne.

The Business Week—European Bureau

LEAVE IT TO THE FORD DEALER!

When the Turks celebrated their Independence Day in Stamboul, the Ford dealer joined the parade. Presumably, the Arabic inscription signifies "Ford Around the World"

British Textile Strike Continues; Markets Livelier

LONDON (*By Cable*)—Trading is overshadowed by the coal and cotton disputes. Individual markets are quiet. There is better inquiry for Manchester goods but no increase in business. The reduction in the price of Cleveland pig iron by 5s a ton is expected to lead to better trade against foreign competition. The fall in the price of hides has been arrested. Wheat is up. All provincial centers report a general feeling that commodities have now reached a bottom and there is a general hopeful tone if no further labor or political troubles interfere.

The Welsh coal negotiations, which broke down last weekend, were renewed and broke again Monday, causing intervention by the government. Separate interviews with miners and members of the Ministry of Mines and between owners and the Ministry lasted 3 hours, and full committees on both sides are still negotiating through the government. There are some hopes of settlement before the weekend.

The cotton lockout in all the Burnley mills became effective Monday, the government announcing that both parties have been invited to meet with the Minister of Labor. Refusal of the weavers to call off the strike is explained by the failure of employers to end the "more looms" experiment at the end of 12 months which was all the trade union had agreed to. It is the hope of the Ministry to bring both sides back to a discussion of some method of extending the new system and at a fair wage rate.

Stock markets have entered a period of livelier trading. Brazil loans all advanced on news that Sir Otto Niemeyer will go to Brazil as finance "doctor," and on news of plans for reorganization of the coffee institute Copper lost ground on the exporters' double price cut; tin also shed $10 over the weekend, affected partly by the large increase of 629 tons on home stocks. Non-ferrous metals generally are unsettled with pessimism prevailing.

The announcement that all banks except Lloyds will maintain their dividends is less favorably received by the general public than might be expected because it is accompanied by the announcement that a reduced salary scale for new entrants is going into effect. New clerks in the Midland Bank will begin at $350, rising in 10 years to $1025, instead of to $1850 in 15 years. This is resented, as bank men already are poorly paid in view of the social position they are expected to maintain, while shareholders are bearing no loss.

French Tax Returns Decline Radically

PARIS (*By Cable*)—The trend of business continues downward, as shown in declining production indices, foreign trade, car loadings, railway receipts, tax returns, security values, higher unemployment (now nearly 10,000), and a reflux of foreign labor. Currency inflation has not yet been checked and the gold reserve, banknote circulation and sight obligations of the Bank of France all have reached new record levels. Domestic prices have again turned upwards under the influence of continued

currency expansion, while the spread between wholesale and retail values has widened further. Wholesale prices at the year-end stood 1% above prewar levels; retail prices were up 32%. Apart from these unfavorable underlying trends, business proper has been featureless since the epidemic of actual or threatened bank failures ceased early in December.

Tax Receipts Drop

Parliament resumed its sittings Tuesday with the budget bill and national equipment program monopolizing immediate attention. For the first time in 3 years, December tax receipts fell below estimates, an ominous sign in view of the fact that the budget bill was drawn on the highest postwar levels and allowing for no reduction in anticipated revenues during the coming year, which is now recognized as one likely to be marked by depression.

Further, the sales tax, which contributes nearly ⅓ of total revenues, already has been consistently below estimates since June 1930, showing a net deficit of $4 millions for the first 8 months of the fiscal year and $28 millions below the return in 1929. The days of treasury surpluses which, since the stabilization of the franc in 1926, have made the French government the richest in the world, appear to have ended without allowing even the possibility for a narrow balance in the current fiscal year. A deficit is almost assured next year if the budget bill, now reaching legislation, is passed as drawn.

The Steeg Scheme

Due to the uncertainty of the fiscal future, the new Steeg government intends to shorten the original Tardieu equipment program and meet the costs by supplementing treasury surpluses with federal and local bond issues. What expenditures can be postponed and which must be retained are still unknown.

November industrial indices showed less change than was expected, declining merely 1 point to 135% of 1913 levels. Textiles, rubber and mining registered small gains. Leather and automobiles are unchanged. Metallurgical, engineering, building and paper declined.

Automobile production in 1930 totalled 172,000 cars, and 45,000 trucks. Compared with 1929 production, this is a drop of 20% and 11% respectively. So far production schedules for 1931 are said to average 25% below 1930

for cars; truck prospects are slightly better Automotive exports for the first 11 months were down 36% in volume, 38% in value Imports, notwithstanding the radical increase in duties last May, were up 3% due, primarily, to greater imports of parts for local assembly which offset declines on vehicles to 7560 units compared with 8902 last year. It is estimated that about 14,000 cars were assembled in France in 1930, compared with 12,800 a year ago.

Reich Ends Strikes; Aids German Business

BERLIN (*By Cable*)—The optimistic tone which marked the first days of the new year already has gone, though business is relieved at the settlement of the Ruhr coal wage dispute and gratified at the German success in the Berlin sugar negotiations which resulted in a German export quota for the next 5 years of almost double the amount allowed in the original Chadbourne plan.

Vanishing hope for a reduction in the discount rate of the Reichsbank in the near future; gloomy anticipations of lower dividends solidly confirmed by the week's declarations; the number of unemployed on Jan. 1 which reached a new record of 4,350,000, or an increase of 380,000 since mid-December; the growing disappointment felt over the possibilities in the near future of revision of reparations—all are factors contributing to a more pessimistic sentiment.

The Ruhr conflict resolved itself into a 6% wage cut, not satisfactory to either side but to be enforced by the government because of the depression. The same government machinery which settled the dispute is likely to be applied to the Silesian coal industry, where a Communist attempt to start a strike proved a complete failure Business believes this new way of dealing with disputes through government enforcement may contribute to a peaceful settlement of other disputes yet outstanding

Rayon Write-Off

Following drastic financial retrenchment by the Glanzstoff rayon concern last year, the Bemberg Co. has now decided on a radical cure by writing off, besides ordinary amortization of $1,800,000, an extraordinary amortization of $3,200,000. With a total of $5 millions taken from reserves, they are now reduced to a legal minimum The year-end dividend is being passed Last year's dividends amounted to 8% and 14% Apart from the disappointment felt over the results of this once highest priced share on German stock exchanges, investors are still uneasy over the gloomy prophecies of lower or no dividends by the big shipping companies

In striking contrast, most branches of German business mortgage banks have maintained, or increased, dividends. The Hypothekenbank of Hamburg is maintaining its 10% dividend. Rheinisch Westfaelische Bodencredit at Cologne is increasing to 12% from 11% German wagon manufacturers also belong to the few relatively prosperous industries maintaining last year's dividends.

Keystone

PRICE CUTS

On the advertising columns in the streets of Berlin, the government posts the prices which retailers may charge so that buyers may compare them

Department store sales in November were the lowest in 1930 and 14% below the volume in November, 1929. Indicative of their growing popularity is the remarkable expansion of one-price stores. Four leading chains, including the Woolworth subsidiary in Germany, increased sales 58% last year over the 1929 record.

Business is interested in the combination of American railroad and German shipping interests. The Erie Railroad is reported to be financing a $4-million loan to the Arnold Bernstein Steamship Co, of Hamburg, for specializing in the transport of assembled automobiles from the United States to European ports The fleet to be used totals 50,000 tons

Bourse Scandal, Dividend Decrease Affect Italy

MILAN (*By Cable*)—Trade is dull and the stock market weak. The tendency of large companies to place profits in reserve rather than to disburse them in dividends is becoming more general. Directors of Montecatini have voted to cut dividends to 15% from the 18% declared last year, despite the fact that the year's profits will probably amount to $5 millions

The Cabinet has approved new estimates reducing national expenditures for the remainder of the fiscal year by $16 millions, which will reduce the anticipated annual deficit to $20 millions and make more probable the success of an internal loan likely to be floated to cover this deficit.

The Morgan-Chase Bank credit to the Italian government—rumored to be under discussion with the amount fixed at $75 millions—has not been confirmed

Italy seems destined to face its financial scandals not unlike those which have disrupted British and French markets in the last year and a half. Since Dec 31, when Giani, important member of the Milan bourse, failed to appear on the exchange and sent no one to settle for him, the market has been upset. Because of intimate relations with President Mazzotti, of the Isotta Fraschini Co, Signor Mazzotti, according to Italian bankers, is likely to be held responsible As a result, Isotta shares are down from 102 to 71, and company officials are frankly concerned Giani is believed to be a refugee in Switzerland.

Bullish Factors Affect Brazil's Trade Outlook

CERTAIN bullish factors have had a pronounced effect on the business outlook in Brazil this week Sir Otto Niemeyer, onetime head of the British treasury, now director of the Bank of England and of several large companies, and recently financial adviser to Australia, has been called to be financial adviser to the Vargas government, to direct particularly prompt reconstruction of the Banco do Brasil as an orthodox central bank along independent lines. He will do for Brazil what America's famed money doctor," Edwin Kemmerer, has done for Chile, Ecuador, Colombia, and 16 other countries, is now en voyage to do in Peru.

A second bullish factor is the announced determination of the Brazilian government to reorganize the Coffee In-

CABLE NEWS OF A DISTINCT PATTERN

JOHN O'TOOLE, foreman, and William Jones, clerk, are not vitally concerned with European deflation, nor with Calcutta's speculations in jute. But they do like their morning news to bring them fragments of political upheaval, revolution, sudden death or disaster in foreign lands.

AS A MATTER OF FACT, it requires a steel determination; a great deal of burrowing; relentless sifting through expert hands, for a news-gatherer to shear away the sensational propaganda surrounding most foreign news. The publication whose readers demand clear-cut, uncolored facts must have its own staff of trained representatives to winnow away the chaff.

YOU, and your fellow business leaders who read The Business Week, demand unalloyed foreign business news. Your keen appetite for that which is sound, dependable and useful, compels this publication to maintain its own staff of foreign correspondents and editors—newsmen not of the usual cut.

ANY OTHER STANDARD of foreign news service would fall short of your needs. You demand information assembled with the speed of cable and wireless, but sieved and checked by men who instinctively recognize the significance of the day's news to business and business men. Look, now, at the foreign news in this issue. It's not glamorous or biased. It moves fast; yet is comprehensive. It is the type of intelligence especially useful to the heads of important businesses. It is not entertainment for John O'Toole or William Jones.

BY EDITORIAL excellence alone, The Business Week must hold you among its readers. By the same token, we are determined to keep your confreres interested. And that very determination represents a fine potential for you. If this influential group of men, meeting weekly within these pages, can aid your business or sales, then why not talk to them during these "meetings"? The real value of The Business Week advertising pages is in no way indicated by their moderate cost.

stitute, possibly buy up the gigantic overstock of 22 million bags in order to stabilize at a profitable figure the price of the commodity which constitutes 70% of Brazil's exports.

As favorably as the news has been received in world markets, reflected in the prompt rise in Brazilian bonds, concrete results are awaited, for the economic situation in Brazil is precarious. London reports that the country needs $175 millions annually merely to service outstanding loans, has less than $160 millions to meet this year's demands. New York reports money in hand to meet Brazilian obligations through March, attaches considerable weight to persistent rumors that a loan is likely to be announced any day, probably through London but with American backing. London, on the other hand, announces any loan is likely to await the Niemeyer report.

The approaching British Industries Exposition in Buenos Aires with the Prince of Wales as feature salesman is focussing British business interest, attracting attention in the United States. Though they are backing the fair wholeheartedly, British traders admit they expect but small immediate return. In the meantime, United States interests have secured rights to build feeder freight railroads from the river port of Rosario to the rich agricultural hinterland.

1931 Brings Better Business in Japan

JAPANESE business is turning optimistic on trade returns for the new year. During the first 10 days of January, foreign trade showed a favorable balance of $3½ millions, despite the fact it is normally a strong importing season. Last year for the same period imports exceeded exports by nearly $5 millions.

The stock exchange is active with prices generally up. Raw silk quotations on Jan. 13 were up Y4.10 over Dec. 28 quotations, while cotton yarns dropped Y1.10 over the same period, due to silver depression in important markets.

Wholesale prices for December were 0.9% below the November average, 21.56% below December, 1929. Textile output increased 20% in recent months.

There are rumors that the Diet, in its late winter session, will consider the merger of private with government-owned steel mills. The South Manchuria Railway, half under government control, operates the largest steel mills other than government-controlled plants.

Russian Buying in 6 States Shows Gain of $10 Millions

1930 Increases Largest in Michigan and Wisconsin; Industrial Equipment Orders Are Rising Rapidly

STATES benefiting from Soviet trade vary from year to year. Last year Texas headed the list with sales to the Russians totaling more than $24 millions, nearly all of which was cotton. This year total cotton purchases amounted to only $16½ millions, with a consequent drop for Texas and the other cotton states.

Analysis by states of Amtorg orders placed in this country last year is not complete but is taking shape, shows some striking shifts in trend. Michigan seems to be the biggest gainer, California probably the largest loser.

Soviet purchases from Michigan, valued at only $5¼ millions a year ago, jumped last year to $14½ millions, due to heavy orders of parts for assembly in the new Nizni Novgorod Ford plant, and of machinery to equip that and the AMO plant in Moscow. Over 5 years, Ford is to supply Russia with $30 millions of equipment, parts, and technical advice.

New York's drop from $17¾ millions to $13½ millions can largely be attributed to a more careful breakdown of fulfilment analysis. Many firms selling to the Amtorg have headquarters in New York, fill the orders at branches in many parts of the country. This year, special effort is being made to credit orders to the states benefiting.

In part, the same applies to California where orders dropped from last year's high of $7½ millions to $3½ millions, despite the fact that the Amtorg now has a small branch office in Los Angeles.

Wisconsin shows a spectacular jump in Soviet business. As an important supplier of agricultural machinery (Allis-Chalmers holds large tractor orders from the Soviet), the state received $9 millions of Russian business this year compared with a scant $2 millions last year.

Ohio, with large orders for machine tools and tractors (Cleveland industries held nearly $5 millions in Russian orders a year ago) increased Soviet contracts from $7¾ millions to $10½ millions. Pennsylvania increased only from $6 millions to $6½ millions.

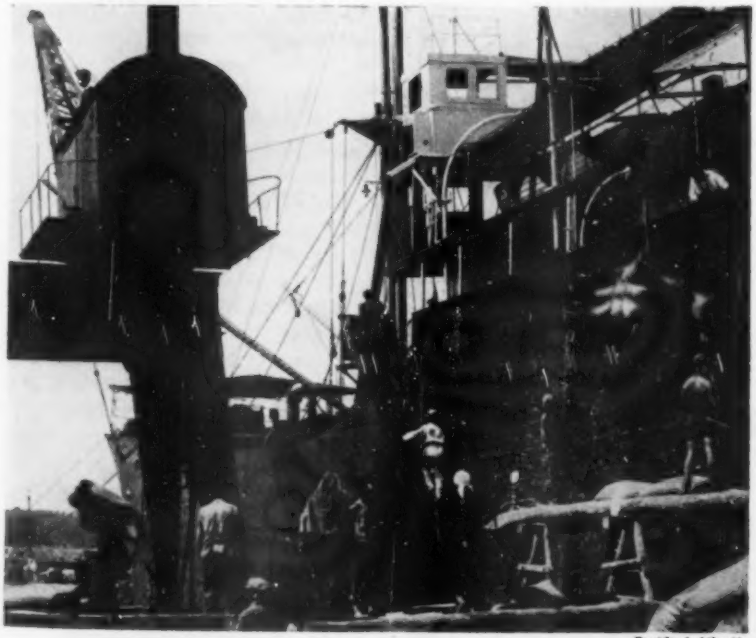
Illinois is the only important state for which orders are not yet analyzed. Perhaps it will head the list. Orders a year ago passed $17½ millions. Large machine tool and tractor orders have gone to Illinois firms this year and almost surely a portion of California's loss is trade transferred to Illinois factories. Connecticut, Massachusetts, New Jersey, and Indiana are likely to show increases when the analysis is completed. For the 6 states analyzed, purchases increased from $45½ millions to $57½ millions. Total Russian purchases jumped from $107,641,000 to $149,223,000, an increase of 38½%.

The whole trend of Russian buying shifts from year to year, will vary even more radically when more industries in the 5-year plan get into operation. Last year purchases of cotton fell off 47%, of non-ferrous metals 56%, of oil nearly 17%, of semi-manufactured products 31%.

Industrial equipment orders are gaining rapidly. Purchases of electrical equipment increased 643% last year. Telephone and telegraph equipment jumped from $260,000 to $1,360,000. The metallurgical industry increased its orders 349%.

Farm machinery still constitutes the bulk of the Russian business, though the increase last year was only 217%.

While agricultural machinery manufacturers will continue to profit from Soviet orders for some time, producers of machinery for the food industries look for a spectacular increase in orders this year, with railway equipment manufacturers impatiently watching moves by Russia's transport commission, now headquartered in New York. Statements from Moscow have favored railroad modernization after the American plan. Ralph Budd has made recommendations to Soviet officials. Large orders are believed to be in the offing.



Pacific & Atlantic

CONVICT LABOR?

The cargo of this American ship loading at Odessa can be banned under the new Treasury ruling. Proof is not necessary, suspicion of convict labor in manufacture or transportation, or even in the locality, is sufficient

Swedes Increase Sales To Russian Industry

EUROPEAN NEWS BUREAU—Swedes are doing an increasing business with Russia. Sales in 1929 reached $8,140,000. In the first 10 months of 1930 (the old Russian fiscal year-end), they had surpassed $14,700,000.

Three businesses are successfully operating concessions in Russia. SKF, manufacturing ball bearings (*The Busi-*

ness Week, Jan. 7), and AGA (Aktb. Gasaccumulator) makers of automatic flashing signals, are enlarging their manufacturing facilities in Russia because of expanding orders from the Soviets. ASEA (Allmanna Svenska Elektriska Aktb.) will continue to manufacture motors and electrical equipment in its Moscow plant.

Swedish sales compete particularly with German and American. The 10-month record shows that Karlstads Mekaniska Verkstad furnished turbines valued at nearly $1 million for Soviet electrical projects. Malcus Holmquists Mekaniska Verkstad furnished more than $400,000 steel for Russian drills, and Sandvikens Jernverk provided another $540,000 steel for miscellaneous Russian products. Even a few tractors have been sold to the Russians by Munktells Mekaniska Verkstad.

On the majority of Russian purchases, Swedish business men are demanding 25% payment with the order, an additional 25% or 33⅓% with delivery, and the balance in 90 days. Larger companies grant easier credits, —as long as 12 months.

Branch Banking Talk Brisker Since Pole Report

FOUR investigating committees, some bank failures, and many active protagonists keep the subject of branch banking in the foreground of financial discussions. The annual report of John W. Pole, Comptroller of Currency, vigorously reiterating his earlier recommendations to Congress of branch banking in trade areas of commercial centers has also helped.

Mr. Pole recites the failure record; points out that more communities are left without banking services; holds group systems cannot extend into small communities to remedy the situation, since they want each unit to be profitable; says that the present groups are mostly good, but group organization of banking as a whole is dangerous because of the speculative opportunities; recommends closer regulation.

Meanwhile the Senate investigation of credit, likely to touch the subject, is getting started. The House committee under L. W. McFadden remains quiescent, but may break forth any time. The Federal Reserve Board and the American Bankers Association studies are continuing privately. The present outlook is for a continuation of much talk, a little state legislation, and no Congressional action at least until 1932.

What the Figures Show

THE improvement in trade noted after the holiday season has strengthened perceptibly. Steel operations, building construction, coal production, and car loadings have resumed activity in much the usual manner. The general business index of *The Business Week* for the week ending Jan. 10, based on eight major indicators of the business situation, turned upward to 79.8% of normal compared with a revised figure of 77.7% the preceding week and 95.3% at the beginning of 1930. A sharp rise in the adjusted indexes of steel ingot production and building construction accounted for the rise in the general index.

THE BUSINESS WEEK INDEX OF GENERAL ACTIVITY	*Latest Week*	*Preceding Week*	*Year Ago*
THE BUSINESS WEEK INDEX OF GENERAL ACTIVITY	*79.8	†77.7	95.3
Production			
Steel Mill Operation (% capacity)	40	36	65
Building Contracts (F. W. Dodge, daily average in thousands, 4 weeks basis)	$9,848	†$9,155	$12,064
Bituminous Coal (daily average, 1,000 tons)	*1,579	1,378	1,887
Petroleum (daily average, 1,000 bbls.)	2,085	2,082	2,689
Total Electric Power (millions K. W. H.)	1,707	1,524	1,806
Trade			
Car Loadings (daily average, all classes, 1,000 cars)	112	108	141
Check Payments (outside N. Y. City, millions)	$6,003	$5,295	$7,417
Money in Circulation (daily average, millions)	$4,809	$4,909	$4,722
Wheat Receipts (1,000 bushels)	5,527	5,537	4,026
Cotton Receipts (1,000 bales)	143	160	251
Cattle Receipts (1,000 head)	*162	†138	177
Hog Receipts (1,000 head)	*714	†583	670
Wool Receipts (1,000 lbs.)	5,349	3,274	8,725
Prices (Average for the Week)			
Wheat (No. 2, hard winter, Kansas City, bu.)	$0.69	$0.69	$1.21
Cotton (middling, New York, lb.)	$0.102	$0.101	$0.173
Iron and Steel (composite, ton)	$31.73	$31.66	$35.60
Copper (electrolytic, lb.) f. o. b. refinery	$0.098	$0.102	$0.178
All Commodities (Fisher's Index, 1926-100)	78.3	78.5	93.1
Finance			
Total Loans and Discounts, Federal Reserve reporting member banks (millions)	$16,064	$16,263	$17,041
Commercial Loans, Federal Reserve reporting member banks (millions)	$8,411	$8,449	$9,134
Brokers' Loans, New York Federal Reserve member banks (millions)	$1,820	$1,879	$3,365
Federal Reserve System Ratio	79.3	76.3	75.4
Stocks Sold (N. Y. Stock Exchange, 1,000 shares)	11,413	11,734	11,497
Stock Prices (N. Y. Times, average 50 stocks)	$152.67	$145.85	$206.19
Bonds Sold (N. Y. Stock Exchange, par value, thousands)	$65,358	$52,811	$48,963
Bond Prices (Dow, Jones, average 40 bonds)	$96.40	$95.21	$94.21
Interest Rates—Call Loans (daily average)	1.5%	3.1%	4.6%
Interest Rates—Time Loans (daily average)	2¼-2½%	2¼-2½%	4½%
Business Failures (Dun, number)	927	542	732

***Preliminary †Revised**

Steel Industry Reviving

The increase in the operating rate of the steel industry to 40% of capacity, according to Dow, Jones, reflected the sharp revival of activity among small independent producers and a slightly better rate for the U. S. Steel Corp. Our adjusted index rose from 47% of normal to 52%. March or April frequently marks the peak of activity, after which a declining rate is the normal expectation, with a minor peak about October. In 1930, the operating rate rose from 60 in January to 80 in February, after which the lack of marked improvement in the general business situation was reflected in the steel industry by a rapid and continual decline in the operating ratio to a low of 24% of capacity during the Christmas week.

Activity at Youngstown has been increased with resumption of manufacturing operations in the automobile industry. On the whole, the trade journals report no general upturn in specification as had been expected on the basis of the low inventories on hand and the anticipated seasonal activity in steel consuming lines. However, the industry feels assured that the present slackness in demand must shortly give way to an acceleration of orders.

The week produced a considerable tonnage demand for rails, line pipe, ship steel and tin plate base boxes. Structural steel awards totaled 59,000 tons, partly accounted for by a number of public works contracts which made a notable showing in December and for the year 1930 as a whole, according to the F. W. Dodge figures. The increase of nearly 304,000 tons in the backlogs of the U. S. Steel Corp. at the end of December was in line with predictions made on the basis of the accumulation of orders placed, coupled with the very low operating rate of the company. Consumers were apparently convinced that steel prices would not fall below the level which the larger producers had set a few weks ago, and the rise in the price of finished steel and of steel scrap in some centers confirms the wisdom of such forward orders.

Building Contracts

December building contracts awarded totaling $249,935,500 were little more than 1% behind November, but the year's total of $4.5 billions fell 21% behind 1929 and was the lowest since 1923, according to the data gathered by F. W. Dodge Corp. in 37 states. Barring the month of June, 1930, when an exceptional volume of public works contracts was awarded, the trend of construction has followed the average of the preceding five years, though the spread has widened from 18% below in January to 45% in December. Residential construction suffered the most severe curtailment, being over 42% behind 1929 and approximately only a third of any preceding year from 1925 through 1928. Non-residential contracts, while slightly greater in December than November, fell 24% behind

1929 when the annual totals are compared. The most favorable comparison with any of the preceding five years is afforded by the group public works and public utilities, which increased 16% over 1929.

The S. W. Straus compilation of building permits issued in 573 cities during December shows an increase over November but a 14% decline from 1929. The first seven business days of January, 1931 opened with a volume of contracts valued at nearly $69 millions, with a daily rate 2% above that of December, 1930. Residential contracts, forming but a fifth of the total awards, run 29% behind the December daily average, while public works and utilities which formed the bulk of the week's awards (44%) were nearly twice the daily average of the preceding month. Our adjusted index for the four-week period ending Jan. 9 rose to 68% of normal compared with the revised index of 62% for the preceding week. Part of the sharp increase was due to the dropping of the low index of five weeks ago rather than to any marked increase in contracts awarded during recent weeks.

Bituminous coal production resumed activity after the Christmas holiday, reaching a daily production approaching that of the early part of December. Our adjusted index recovered from the rate of 64% of normal for the Christmas week and reached 72% as the new year began.

Electric Power Production

The new series of figures on electric power production begun in our last issue shows a weekly output for the first full week of January nearly 12% above that of the holiday week preceding, though 1931 begins at a level below that of both 1930 and 1929. When the actual data are adjusted for seasonal changes and year-to-year growth, a slight decline is noted in the index, which stands at 90% of normal against a revised figure of 91% for the preceding week.

Car loadings for the week of Jan. 3 also begin the year at a level much below that of many recent years, though the adjusted index based on the daily average of the groups miscellaneous and merchandise less-than-carlot remains practically unchanged at 71% of normal.

Check Payments

The volume of check payments rose 13% in the 140 cities outside of New York City, a customary occurrence during the first days of the year when first of the year settlements in addition to the usual payroll and trade adjustments are made. Our index based on this group, and especially adjusted for the particular peculiarities of this week, rose to 91% of normal from 89% the preceding week. In cities outside of the financial centers, the increase was fairly abrupt during the week, amounting to over 18%. Three districts, including New York, showed decreases.

The volume of money in circulation declined somewhat less than usual for the post-holiday season when demand begins to slacken. Our index, adjusted for price changes, seasonal and annual growth, continues to remain at the high level of 109% of normal. It is probable that the unsettled financial situation still accounts for the large outstanding supply of currency that ordinarily would flow back to the Federal Reserve banks and Treasury.

Commodity prices still show conflicting tendencies, though the strength displayed by cattle, wheat, cotton, and steel is encouraging. The government report on December cotton consumption by American mills showed a decline to the December, 1920, level. Exports now are over 300,000 bales behind those of last season at this time, with the prospect of a greater spread if the British government fails to adjust the recent labor difficulties in the textile mills. The cut in Texas crude oil prices by a subsidiary of Standard of New Jersey is likely to spread to other fields.

Coal and Metals

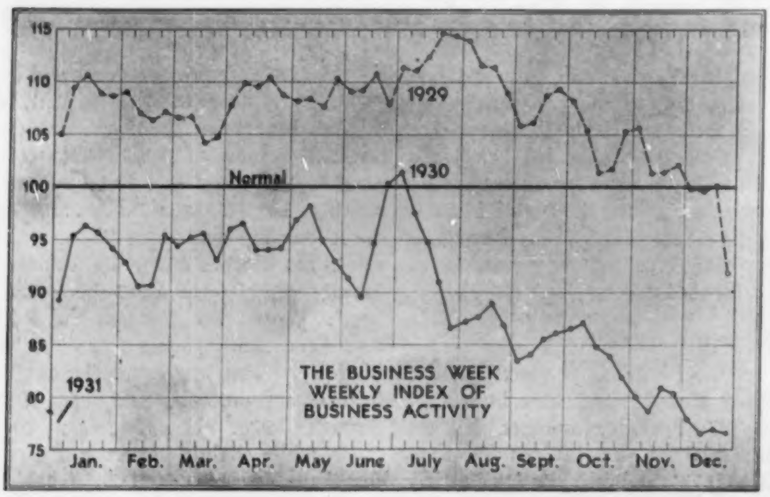
Coal markets await the effect of the strike in the South Wales mines, which as yet is unsettled. Copper prices have firmed at the 10¢ level. The figures in our table referring to the average refinery price for the week ending Wednesday, Jan. 14, declined slightly from the preceding week. The report on stocks and production of blister and refined copper in December reveals the declining tendency expected and is a favorable factor in the present market situation. Shipments exceeded those of November, and if the trend is continued, a significant drop in the stocks on hand can be expected. Heavy sales of lead in a low priced market were the feature of the week. Zinc sales were also in substantial quantities.

Commercial loans did not decline as much as expected at this season, so that our adjusted index moved upward to 110% of normal when account is taken of price declines, seasonal variations and long time trend.

Commercial failures for the week of Jan. 8 hit the high level of 927.

The Index

The weekly index of general business activity, first of its kind, is compiled by *The Business Week* from 8 series of weekly figures —steel mill operations, building contracts, bituminous coal production, electric power output, non-bulk carloadings, check payments outside New York, commercial loans of reporting Federal Reserve member banks, and currency in circulation. It shows the current level of the average daily physical volume of business as compared with the normal for the season and the year. Normal, represented by 100, is what the current volume of general business activity should be if the usual seasonal changes and year-to-year growth had occurred. For further explanation see *The Business Week*, May 7, 1930, p. 39.



Money and the Market

FURTHER monetary ease carrying an encouraging portent to business brought no conviction of better things to come into the securities markets this week. Though business looked better, the financial community is still waiting to see what is in the 1931 package instead of believing the label put on it by short-term money rates and over-numerous predicters.

Stocks appeared to be caught in the slack of an interregnum period. The reinvestment demand after the turn of the year has ended. The rise it brought attracted profit-takers and bears. Earnings statements carrying bad news are in the offing. But, in the background, is the expected spring rise in business which many think will boost stocks upward. Industrials lost more ground than any other major group and sales were very small. A large rise in the price of New York Stock Exchange seats was reassuring.

Short-Term Money Rates

The week's most encouraging development was a continued marked ease in short-term money rates. Acceptances rates were reduced again by $\frac{1}{8}$% to $1\frac{3}{4}$% bid, $1\frac{5}{8}$ asked for maturities up to 6 months, the lowest rates ever quoted on dollar bills. Time money against collateral dropped $\frac{1}{4}$% to $1\frac{3}{4}$ to $2\frac{1}{4}$%, the lowest rates to prevail for 37 years. Throughout the country, banks are reducing the rates paid on demand deposits and Federal Reserve Bank rediscount rate reductions continue.

The desired results are two. First, to make short-term rates so low and short-term funds so plentiful that business will use them. Second, to drive funds into the long-term money markets by making profits so low they will leave the short-term market. Shortage and high rates of funds in many sections of the country attest the need for this development.

Short-term funds are likely to be sent abroad, at the present level of bill rates. New York is now charging about $\frac{1}{2}$% less than London, a disparity sufficient to attract business to this side of the Atlantic, thus taking some of the surplus funds abroad.

The week's reaction was discouraging. The stock decline, for which there might be some excuse, was accompanied by an almost regular day-to-day drop in bonds, although the easier money should help fixed-interest-bearing securities. Chief reason for the bond decline was a considerable volume of new financing attracted by the 3-week rise in prices. Yet a bond market of any strength must absorb some new issues.

Declining securities markets were accompanied by a $59-million decline in brokers' loans, carrying the total to a new low record of $1,820 millions. Out-of-town banks continued to increase their total on call, while reducing their security loans direct to customers. New York City banks also reduced their direct security loans and withdrew funds from the call market, too.

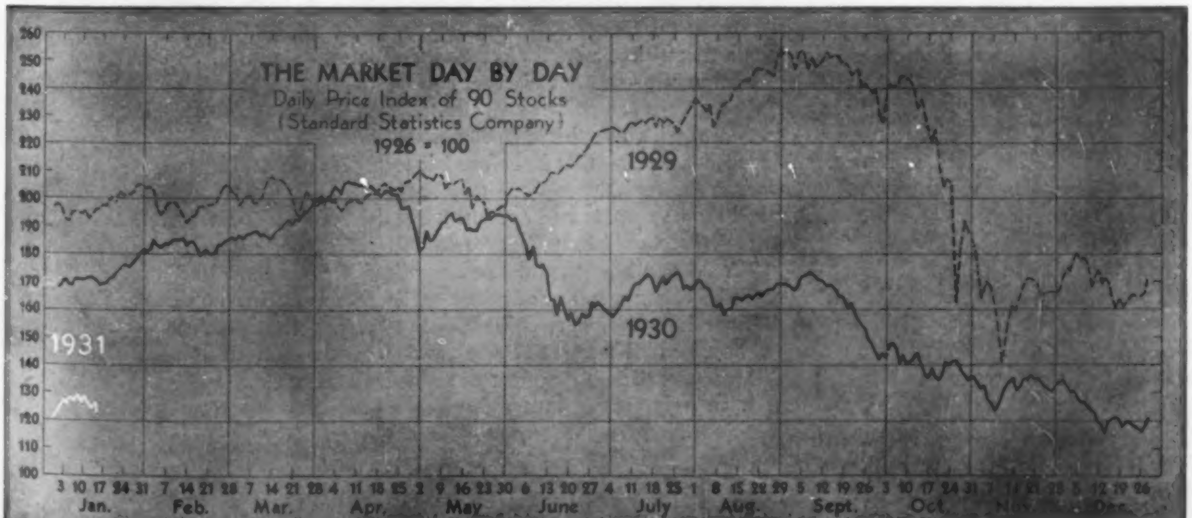
The Federal Reserve Bank statements continue to reflect the system's easy money policy and the seasonal liquidation. Member bank borrowings fell decidedly after last week's puzzling rise. Reserve bank credit dropped, by $137 millions, but member bank borrowing accounted for $49 millions of this, leaving a decline in open-market holdings of securities considerably less than the $133-million decline in money in circulation. The system's policy was further aided by an increase of monetary gold stock amounting to $23 millions, partly from gold imports and partly from release of bullion formerly held under earmark.

Commercial bank credit throughout the country declined last week, statements available this week revealed. The major portion of this decline was in New York City, there being little change in the aggregate outside. The same statement showed commercial loans to be falling off, but this, again, was almost entirely within New York City and probably was due to the maturing of acceptances, which are included in the commercial loan total. Member bank investments during that period increased, New York buying being responsible.

European Markets

Abroad, the Paris and Berlin stock prices dropped considerably during the week, with London prices irregular. Declining business in France and continued difficulties and high money rates in Germany exert a depressing influence, while England is suffering a continued series of labor troubles.

Outstanding financial development was the Bank of France's decision to accept gold of standard fineness, which may result in further gold losses by London, but is expected to be helpful in the long run, by making a freer gold market. Minor foreign exchanges were considerably depressed, especially the Argentinian and the Australian.



The Dublin Letters

To Mr. George Clark, Concluding Last Week's Recital Of How Derby Thomas Saved the Superb Account

THE first hearing of this from Derby gave me a peculiar sinking and lonely sensation in the solar plexus, although I'm better now. But I do feel considerably more out of the Dublin Agency than I did last week.

With all this talk about me Derb hit into a double play. Dunning said it was a lucky thing the agency had a Phil Bailey to plug the hole when Derb's uncle eased down on the job—very lucky, indeed. Then Dunning recited a symphonic poem about Phil's brilliant headful of brains. He was sold on Bailey up to the nozzle. Finished by saying the campaign Phil Bailey turned out for the Superb Co. was the most wonderful advertising he had ever seen.

Derb said he thought so too—and that Mr. Bailey's contribution to it consisted mostly of looking anxious and commuting back and forth to Chicago trying to keep Dunning and Bevin pacified so the real creative producers in the agency would get time to produce.

This annoyed Dunning. He gave Derb a dirty laugh—and Derb stammered into the story of the three-cornered battle between Phil Bailey, Archie Bellamy, and Ben Frost while the campaign was being chewed over.

"Mr. Bailey," explained Derb, "wanted to put on a jazzy merchandising campaign with a lot of trick tie-ups with the dealers. I admit I didn't understand all of it—but it looked awful complicated to me. Ben Frost objected, because he said it made the Superb Co. look like a lot of tinware peddlers. Mr. Bailey said you people didn't know how to be anything else *but* tinware peddlers."

Dunning started to say something—but got the hiccups. Just then young Davis sidled near by looking scared to death and as if he were waiting for Dunning to fire him right there at the party for having leaked to Derb on the Bailey deal.

"G' way!" snaps Dunning. "Hey—wait a minute! Get me some bicarbonate of sody and then g' way." Turning to Derb he said: "Did Bailey say we were nothing but tinware peddlers?"

"Yes, sir," says Derb.

Dunning gulped down the bicarb the quivering Davis came running with, and again says to Derb: "Want to talk to you." When Davis retreated Dunning beckoned Derb to the door and out to the corridor.

They walked to the far end of it out of earshot of all the Boola Boola racket, Dunning saying nothing. Derb says it seemed a quarter of an hour before they got to the end of the corridor and Dunning spoke. Derb says he remembers a pottery umbrella stand there full of sand and cigarette butts. First Dunning yanked a cigar out of his pocket, stuck it under his mustache, twisted off the end of it between his teeth and then spat it out into the umbrella stand. Then he lighted the cigar. Then he jerked his glasses out of another pocket, and instead of putting them on, let them dangle on the end of the silk tape they were hooked up to, and says without warning: "Who did this campaign of ours?"

"Archie Bellamy," says Derb.

Dunning put on his glasses and glared through 'em. "Archie Bellamy?" says Dunning, "Who's he? Sounds like one of those ghost writers you read about in the newspapers."

(I suppose you must realize that Dunning has never set foot in our offices and had no first hand acquaintance with any of us aside from Phil Bailey and Derb Thomas. Pretty thin, this is. Very clever of Phil always to have his New York conferences with Dunning at his hotel on the pretext of saving his time. Why didn't this arouse your suspicions? Don't understand this.)

"Well," flounders Derb, "maybe Archie Bellamy does sound like a ghost writer to you. That's a thing I don't like about this advertising business myself; a fellow does a swell piece of work—a knock-out—and nobody ever knows his name, let alone giving him any credit. But it's like this, Mr. Dunning. Suppose last year—that is, before I ever worked for the Superb Co.—somebody asked me why you turned out such good stuff. What would I say?"

"You'd say, how should *you* know," replied Dunning, sarcastically.

"Sure I would," agreed Derb. "But if anyone asked me *now* I'd say, well I'll tell you. There's a great big bum with an ugly temper in a dinky room partitioned off of the second floor of the new factory wing. This place is called the Experimental Room and this silent and touchy mug inside is known as Big Swede Swanson. Nobody ever heard of him except a few men in the industry. But this Scandinavian is five years ahead of the parade on appliance stuff—and you can't beat him. That right?"

For some reason or other this seemed to tickle D. in his vanity-case, and he slid out from behind his cloud like the sun in April.

"That's right," says Dunning. "And you can also add there's only one man in the United States can handle Swanson. That's me, the original Swede tamer."

"Yes, sir," says Derb. "I found that out, too. And maybe now you'll admit that Archie Bellamy is no ghost-writer any more than Swanson is a ghost-inventor."

Dunning slipped behind his cloud again and left Derb fumbling around in the dark once more.

"Even though you don't know Archie Bellamy," Derb scrambled on, "he means something to you nevertheless. If you give your account to Mr. Bailey he can't deliver Archie Bellamy to you. Nor Ben Frost, Art McKinnon, and all the rest of the Dublin organization. Mr. Bailey can only deliver himself. That isn't enough. Smart as Mr. Bailey is, he isn't smart enough to spread himself over all your problems in a concern as big as yours. Not to mention the other clients he'll have to divide himself with. Mr. Bailey's office will be a one-man office. He can't built up an organization in a week. It took my uncle 20 years to make the Dublin organization. If Mr. Bailey does it in 10 he'll be not only a fast stepper, but a lucky bird also."

"What do you think I ought to do about it?" says Dunning, assuming a patronizing, kidding tone.

This was another stumper for Derby. The only thing he could think of was to send a telegram—who to or what it should say Derb confesses he didn't know. He just had an extravert impulse to wire somebody.

So Derb blurted: "Don't you think we ought to wire?"

"What could we do with Bailey by wire this time of night?" says Dunning.

And (tells Derb) he got the sudden infection of an idea—Bailey was the feller to send the telegram to. He fished out his note-book—Derb always carries a note-book and a cute little gold pencil—and scribbled this stab on one of the pages:

"Unexpected developments make it advisable to continue with Dublin Agency for awhile. Please make no further plans for our account until you hear from me."

"Please read this," says Derb, tearing out the sheet and handing it to Dunning.

"What's it for?" says D.

"Send to Mr. Bailey," pants Derb.

"No," says Dunning, giving the message the quick once over. "No good. It ought to explain more."

When Dunning said that Derb says his heart went "Bam—bam—bam—" and he felt weak and dizzy at the sudden realization that Dunning was drifting our way.

"Isn't it best *not* to explain any more now?" squirms Derb. "If you send this wire it's a sure thing Mr. Bailey will be at the Grand Central Station laying for you when you hop off the train Sunday. That's the nicest part of this. Because you can tell absolutely from the way he acts whether I have been honest with you and telling the truth. If I've been bunking you, Mr. Bailey will act one way. If I've been on the square Mr. Bailey will act different. His face will be your best answer. Then you can explain accordingly. If you'll just sign this piece of paper, give me the authority, I'll send the wire off for you."

"Whoa!" says Dunning. "Let me have that pencil. Now young man, I'm going to do as you ask. But only on one condition. I want to see this uncle of yours. I want to talk to him. I'll be in New York around the 10th of December. If you'll guarantee to dig this ghost uncle of yours up and have him on hand then I'll sign this wire. If you can't guarantee it, there's nothing doing. I want to *see* the people I do business with. I want to look 'em in the eye. I want to find out whether I like 'em or not. Get that?"

"Yes, sir," says Derb. "I'll guarantee my uncle will be there."

(This scrap of paper with Dunning's signature does not go in our company files. It is gathered into the Dublin family archives along with the daguerreotype of Aunt Minerva.)

Derby Thomas has swum the channel, George. Within my own grateful bosom I am giving him a parade from the Battery to City Hall. The banners stiffen in the joyous breeze; the whistles toot; the strains of martial music beat through the streets; our Derb rides in an open-face automobile showered with ticker tape and shredded telephone books. At City Hall Jimmy Walker gives the boy a scroll and an autographed copy of his song: "Will You Love Me in December As You Do in May?"

I make no claim that Derb's achievement rests in the immortal realm of perfection. I know how ingenuous, how crude—perhaps even pasteled with the pathetic—his little bundle of effort was. *But he had the right set of answers in an emergency.* And the right set of answers in an emergency is the supreme measure of diplomacy, statesmanship, and our much admired administrative ability of these corporate days.

Derby will stick along here over Thanksgiving. His mother is here also and he is needed to complete the holiday picture.

Upon his arrival in the office next week please notify him that his salary is $8,500 a year and that this figure has been dated back to Jan. 1. Please have check ready for the difference between his old salary rating and the new.

Perhaps $8,500 is not quite ample recognition for Derb's service to all of us, but on the other hand it may not be wholesome to step him up too fast. Making this $8,500 figure retroactive seems to solve and salve the situation—*pro tem* at least.

For me do this: forgive this lengthy and garrulous screed of a man rattled by happy circumstances. Do not grudge me my self-indulgence which serves my emotion of the hour. I have overdone it —but it all goes.

And I guess I am not the only one who feels a lightening of the load in this fuzz-ball inside of us we call our soul. Young Davis went so batty when he heard that Derb had brought Dunning back into the fold that he was the one who commandeered the Isotta from "Pash" for Derb's midnight ride to our new Hoskined farm-house.

Great are the uses of adversity, alcohol, and Alma Mater. Will 'phone you Wednesday at 11 A.M. Deepest regards—

JIM.

B. & M. Diners Can Smoke While They Dine

STAID old New England has again succumbed to aggressive modern ideas. Smoking on dining cars of Boston & Maine trains is desired by 78% of their patrons, according to a recent vote. Smoking was approved by 74% of the women voting and by 80% of the men so that B.&.M. menus now carry this note: "You may smoke in the dining cars but when passengers are waiting to be served and you have finished, your use of the smoking accommodations provided in other cars will be appreciated."

Most other roads, particularly in the East, opened their dining cars to smokers long since.

THE BUSINESS WEEK

The Journal of Business News and Interpretation

January 21, 1931

The Wrong Medicine

THE annual report of the chairman of the Chase National Bank to its stockholders is the first frank and definite statement of the deflationist point of view. Following similar statements from other bankers in the past few months it raises fundamental questions which American business men will have to face in the future.

We do not believe that the medicine he prescribes for business recovery will bring it about. We hope that very few other bankers or business men are putting their faith in that prescription. We are very much afraid that it would unduly prolong the convalescence of the patient and lead to complications worse than his present difficulties. We are sure, at any rate, that the patient will strenuously resist swallowing it and develop a violent resentment toward the doctors if they try to make him take it.

Mr. Wiggin's demand for the reduction of war debts and tariffs we are afraid is largely a sugar coating for the bitter pill. These things must and will be done on their own merits. They should not be done merely to adjust ourselves to the extreme and unnecessary deflation of prices that has been allowed to occur, thereby easing the consequent burden upon foreign private debtors and enabling us to loan them more money at current rates of interest. This deflation has already made the real burden of our own national debt upon our taxpayers 10% higher than it was when the debt was at its peak in 1919, although they have paid off 40% of it. Before they assume the added burden of debt cancellation they will want to know whether the deflation of prices must be permanent and how the increased tax burden is to be distributed. They may ask the holders of our government bonds or the groups who pay federal taxes to make some sacrifice as the price for the opportunity of loaning Europe more money at present rates.

The flaw in the financial altruism of this proposal lies in its acceptance of the deflation of prices and its demand that adjustment to this deflation be made through wages and not through capital costs. Unless wages are reduced or prices brought back to the average of recent years—and even if prices are—the market rate of return on long-term capital cannot be maintained at the level to which investors have become accustomed during fifteen years of abnormal money rates. Ever since 1925 the market cost of long-term capital for real investment here and abroad has been out of line with its productive yield. This is the fundamental cause of this depression, and the effort to maintain that situation on the part of investors is the real obstacle to business recovery the world over. Business is paralyzed by a sort of investors' strike or borrowers' lockout, and may not be able to go ahead for a long time unless the central banks take direct action to break this deadlock and restore long-term interest rates to their natural level.

General reduction of wages is likely only to add other strikes or lockouts to our troubles. The truth is that the price of labor in this country, like the price of capital, is now determined not by the bare cost of living on the one hand or by the cost of saving on the other, but by the actual productivity of each factor. On this basis there is no evidence that real wages are too high, but there is plenty that the cost of capital for real investment is. Furthermore, every American business man will realize that, with productive capacity in this country far in excess of current purchasing power, the chances of maintaining the current artificial market price for long-term capital by further reduction of purchasing power are about as great as those of the proverbial snowball in Hades.

Published weekly by the McGraw-Hill Publishing Company, Inc. Tenth Avenue and 36th Street, New York. Tel. Medallion 3-0700. Price 15 cents. Subscription rate, $5.00 a year; foreign, $6.00

Publishing Director, Jay E. Mason

Managing Editor, Marc A. Rose — *News Editor*, Ralph B. Smith
Economist, Virgil Jordan — *Art Director*, Perry Githens
Marketing, O. Fred Rost — *Finance*, D. B. Woodward
Aviation, E. P. Warner — *Industrial Production*, K. W. Stillman
Transportation and Utilities, Cameron A. Robertson
J. F. Chapman Wadsworth Garfield F. A. Huxley R. I. Carlson
Washington, Paul Wooton — *Chicago*, John Millar
European News Director, Elbert Baldwin
7 Boulevard Haussmann, Paris — Cable Address: Busweek, Paris

this
lation
nt to
d not
e re-
ge of
mar-
annot
estors
years
5 the
nvest-
with
ental
nain-
s the
vorld
f in-
may
nless
break
erest

ly to
bles.
this
eter-
one
, but
On
ages
st of
nore,
that,
ar in
ances
arket
ction
hose

, Inc.
0700.
$6.00

T

B

BU
IND

15